Dispelling the myth of a global consumer

Indonesian consumer behavior researched by means of an analytical diagram for intercultural marketing

With a case study of Sunsilk shampoo for the veiled woman

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Title

Dispelling the myth of a global consumer
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With a case-study of Sunsilk shampoo for the veiled woman

Ragnar K. Willer

Abstract

What impact does culture have on consumer behavior?

The discussion of the above question in the multicultural context (Mischkultur) of Indonesia is characterized by the fact that it goes far beyond the limits of the respective scientific fields like Southeast Asian studies or business studies. It provides a new analytical diagram for structural analysis of cultural influences on consumer behavior which offers the possibility to develop new markets in an intercultural manner.

Investigation of cultural factors influencing Indonesian consumers has indicated that the often postulated globally homogenous thinking and universally acting consumer is merely a myth. This investigation concludes with a case-study dealing with a shampoo developed by a multinational for the niche segment, Indonesian veiled Muslim women.

Key Words: Southeast Asia, Indonesia, Culture, Marketing, International Marketing, Intercultural Marketing, Global Marketing, Consumer Behavior, Globalization, Glocalization, Hofstede, Unilever.

The Author

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Titel

Die Dechiffrierung des Mythos eines globalen Konsumenten
Indonesisches Konsumverhalten erforscht mit Hilfe eines analytischen Diagramms des interkulturellen Marketings
Mit einer Fallstudie des Sunsilk Shampoos für die verschleierte Muslimin

Ragnar K. Willer

Übersicht

Welche Bedeutung hat Kultur für das Konsumverhalten?

Die hier vorgelegte Auseinandersetzung mit dieser Frage im Kontext der Mischkultur Indonesiens zeichnet sich aus, dass sie über die Binnenräume der jeweiligen Wissenschaftsfächer, wie der Südostasienkunde und der Betriebswirtschaftslehre, weit hinausragt und für die Beantwortung der Fragestellung ein neu entwickeltes analytisches Diagramm zur strukturierten Analyse kultureller Einflüsse auf das Konsumverhalten aufweist, das die Möglichkeit, Märkte interkulturell zu erschließen, eröffnet.

Die Untersuchung der den indonesischen Konsumenten beeinflussenden Kulturelemente ist ein Indizienbeweis gegen die so häufig postulierte Vorstellung eines global, homogen denkenden und universalistisch handelnden Konsumenten, die mit der Fallstudie eines für das Nischensegment der verschleierten Musliminnen in Indonesien geschaffenen Shampoos eines Weltkonzerns abschließt.

Schlagworte: Südostasien, Indonesien, Kultur, Marketing, Internationales Marketing, Interkulturelles Marketing, Globales Marketing, Konsumverhalten, Globalisierung, Glokalisierung, Hofstede, Unilever.

Der Autor

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INDONESIA

“Being successful
means being prepared.”

Author’s notes, Jakarta October 2004


Plaza
INDONESIA
STARBUCKS COFFEE
DHARMAWANGSA BOUTIQUE
high-end
Muslim wear
by merry pramono
L'ORÉAL
PARIS
Audi Cente
get ready for
ramadhan
POP MIE
OREO

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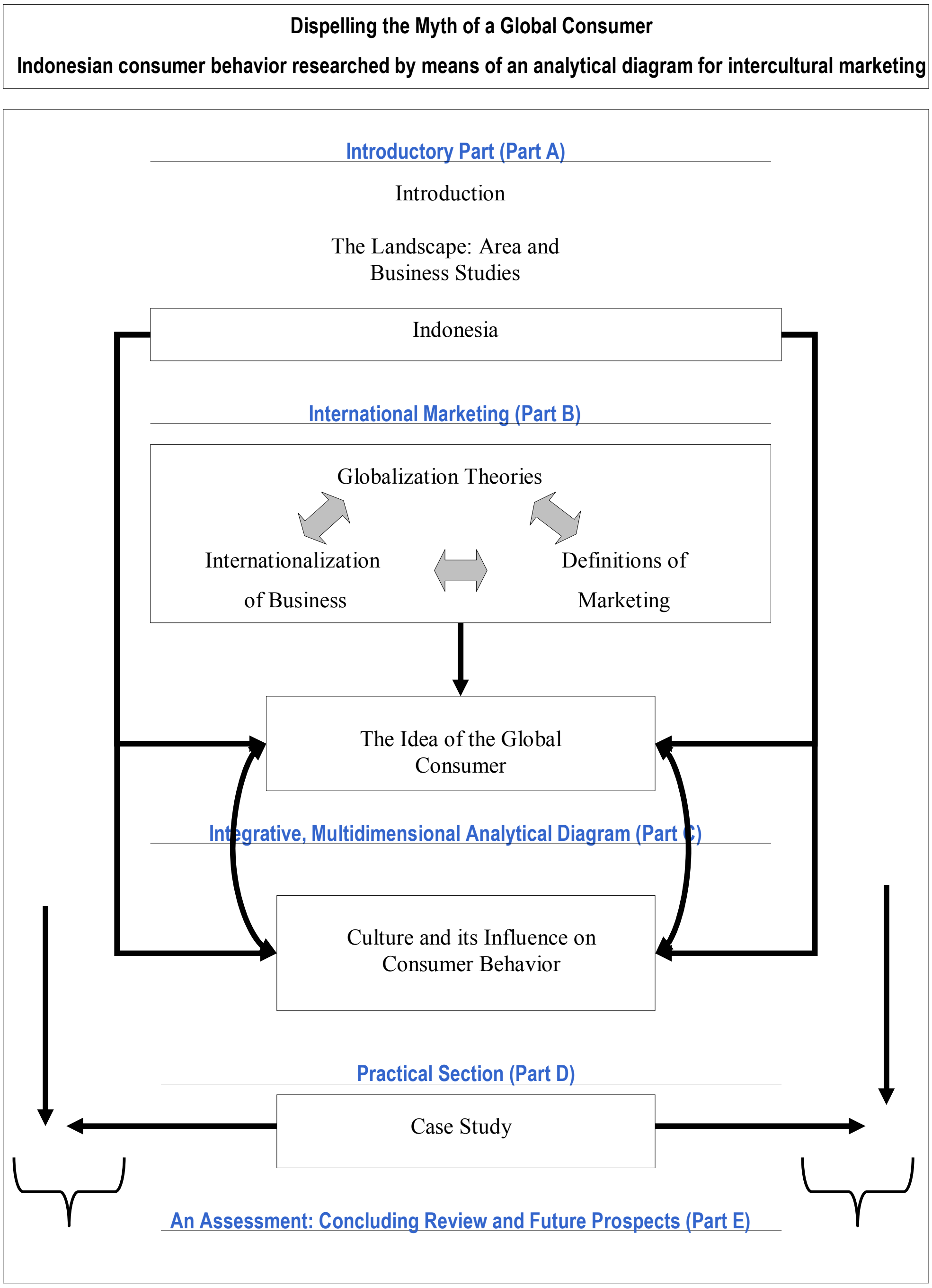
ABBREVIATIONS AND ACRONYMS

AAPMI	Association of Indonesian Fashion Designers
ABRI	Indonesian Armed Forces
AFTA	ASEAN Free Trade Area
APEC	Asia Pacific Economic Cooperation
Aprindo	Association of Indonesian Retailers
ASEAN	Association of Southeast Asian Nations
BPS	Central Bureau of Statistics
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CVS	Chinese Value System
D&E	Developing and Emerging markets
DMU	Decision Making Unit
FDI	Foreign Direct Investment
FMCG	Fast Moving Consumer Goods
Gaikindo	Association of Indonesian Automotive Industries
GAPPRI	Association of Indonesian Cigarette Producers
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HBR	Harvard Business Review
Hipmi	Association of Young Indonesian Businessmen
IALF	Indonesia Australia Language Foundation
ICMI	Association of Indonesian Muslim Intellectuals
IKPM	Indonesian Fashion Designers Association
IM	International Marketing
IMF	International Monetary Fund
IMV	International Multipurpose Vehicle Cars
INSEAD	Institut Européen d'Administration des Affaires
ISEAS	Institute of Southeast Asian Studies
JSX	Jakarta Stock Exchange
JIT	Just-in-time production
JV	Joint-venture
Kadin	Indonesian Chamber of Commerce and Industry

KKN	Corruption, Cronyism and Nepotism
LIPI	National Institute of Sciences
LP2K	Institute for Consumers' Protection and Fostering
MAP	Mitra Adiperkasa
MBA	Master of Business Administration
MNC	Multinational Company
MPR	People's Consultative Assembly
MT	Metric Tonne
NGO	Non-Governmental Organization
NK	Nihal Kaviratne
NU	Nahdlatul Ulama
OPEC	Organization of the Petroleum Exporting Countries
PDI	Indonesian Democratic Party (Partai Demokrasi Indonesia)
PPN	Value-added tax (VAT)
PPP	Purchasing-Power-Parity
SARS	Severe Acute Respiratory Syndrome
SRC	Self-Reference Criterion
TFR	Total Fertility Rate
TO	Threats and Opportunities
UI	Unilver Indonesia
YLKI	Indonesian Consumer Foundation

Figure A-1 Structure of content



A INTRODUCTIVE REMARKS

A.1 PREFACE

> *"A journey of a thousand miles begins with a single step." (Traditional Chinese proverb)*
>
> *"Asia is not going to be civilised after the methods of the West. There is too much Asia, and she is too old, too." (Kipling 1891)*

International integration and globalization trends have increased still further during the two year course of this work. This trend is strengthened owing to accelerated world economic growth on the one hand, and is weakened by fear of terrorism and war, by uncertainty in the Middle East and by escalating raw materials prices, on the other. Today's interconnectedness, exchange relations and worldwide interdependence, which were scarcely imaginable twenty years ago, nowadays confront companies and company strategists with multifarious problem scenarios. The coalescence of goods and services markets across individual country borders, the diffusion of new technologies and constantly accelerating capital flows lead to an expansion of the intensity and scope of economic cross-border relations between companies, and therefore to intensified competition. Developments and opportunities lead, especially from the cost standpoint, to increasing international competition between economic areas and companies, which demand new solutions.

The Pacific Rim countries remarkably impress the financial markets due to their tremendous economic dynamism and an attractiveness which is again tempting those investors who withdrew during the 1997-98 financial crisis. Southeast Asia is a decisive growth driver over and beyond the Asia Pacific Rim, and is enjoying considerable economic upturn. Market potential such as that offered by Southeast Asia's markets cannot fully be exploited long-term merely via exporting strategies. Instead, proximity to local markets will gain in importance to meet satisfactorily an increasing public and private demand for consumer and investment goods. Consequently, enterprises have to expand not only their local presence, but also their local marketing capacities. This commitment is a pre-requisite for a company's optimum earning power and facilitates increased competitiveness in times of emerging global competitors. In this context, not only the dreaded East Asian conglomerates such as Benq, Samsung, LG, and Toyota are to be considered. Increasingly, companies are confronted with local Southeast Asian rivals, such as the

Indonesian Indofood Group[1] or Sampoerna[2] whose size, influence and adaptability were underestimated for a considerable period of time.

The rapid growth in world trade in the last few years is one of the characteristic ramifications of globalization. Transportation of people and goods to all areas of the world has never before been as fast and cost-effective as it is today. Both causes and effects are, for example, direct investment on the part of overseas companies, creation of multinationals with cross-border supplier connections (global sourcing) and global financial transactions such as crediting and debiting. This economic behaviour is not only inevitably restricted and determined by social, political and economic opportunities, but also above all by the cultural framework which can counteract a commitment abroad. Entrepreneurial presence in global markets is linked to the problems which this work addresses.

Increasing international expansion and penetration of multinationals into evermore foreign and far-flung countries and areas (which, owing to their infrastructure, their political, social and economic conditions have not been taken into consideration till now) more than ever confront companies with new consumer groups, their foreign cultural contexts and their resulting complex peculiarities. International success and cultural understanding (intercultural self-competence[3]) are two sides of the same coin. It is vital to understand the crucial importance of cultural and social influences, and their range and scope. The present-day “cartoon crisis“[4], demonstrating the gulf between sections of the West and the Muslim world, reveals how susceptible companies can be to cultural conflict and which threat these can pose in the worst case scenario. The backlash throughout the Muslim world against a series of Danish cartoons caricaturing the Prophet Muhammad is having a severe impact on prominent Danish businesses. Arla Foods, one of Europe's biggest dairy companies, normally sells products worth US$480 million a year to the Middle East.[5] But a boycott of Danish firms across the region has reduced the company's sales there to zero in a matter of days.[6] Even in less emotional times, foreign cultures and their effects on markets and consumers demand considerable efforts in order to secure sustainable long-term company success.

Delaying adaptation to the foreign country’s, such as Indonesia’s context may lead to unsuccessful product launches and advertising campaigns, and thus to uneconomic propositions. In contrast, stringent

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[1] http://www.indofood.com/index.asp (4 January 2006)

[2] http://www.sampoerna.com/default.asp?language=english&page=aboutsampoerna/history (4 January 2006), http://www.faz.net/s/Rub645F7F43865344D198A672E313F3D2C3/Doc~E884E12FADCD64AC7BC2E693B086012E8~ATpl~Ecommon~Scontent.html (8 September 2005); http://www.altria.com/investors/02_00_NewsDetail.asp?reqid=684673 (8 September 2005)

[3] Neologism: to acquire cultural knowledge oneself and to utilize it by means of the integrative, multidimensional analytical diagram, developed and illustrated in the course of this work.

[4] http://news.bbc.co.uk/1/hi/world/middle_east/4688602.stm (20 February 2006)

[5] http://www.arlafoods.com/APPL/HJ/HJ202COM/HJ202D01.NSF/O/9061156A93F8479EC1256F8C004A6355 (20 February 2006)

[6] Arla spokesman Louis Honore: “We have built up our business in the Middle East countries for 40 years, and have had production in Saudi Arabia for 20 years, and then within five days or so this is all in ruins.” http://news.bbc.co.uk/1/hi/business/4676826.stm (20 February 2006)

market evaluation and marketing focused on intercultural compatibility increase the success rate. In fact, very successful global corporate groups, such as Coca-Cola, McDonald's or Nestlé, have developed a thoroughly local and therefore culturally adapted marketing strategy. In an endeavour to solve the most urgent problems, these global players had to realize the dictates of culture and to assimilate them into their strategies. By looking at the companies' websites for the respective individual markets the localization demand becomes apparent (Appendix 1, Figure 1-13).

Localized international marketing initiatives ensure sustainable strategic triumphs within the Southeast Asian market sphere where people are proud of national customs, ethnic roots and religious beliefs. The world simply seems to have become more similar, but differences ensure that international marketing continues to be challenging. It is therefore appropriate to reflect on the ever-more crucial role international marketing plays, the dilemma how to balance the need to leverage global strengths with the need to recognize local differences, and how companies reconcile these dilemmas in Indonesia. Unilever's "Sunsilk Clean and Fresh", McDonald's "Ayam Goreng McD", Heineken's "Bintang Zero" (Appendix 1, Figure 14-16) are only three of the growing number of product launches where multinational companies (MNCs) show local passion and tap into the roots of indigenous diversity successfully. The success of these products is due to local knowledge and expertise and an appreciation of cultural differences and similarities in Indonesia, alongside a background of culturally adapted marketing strategies. These strategies disabuse all advocates of the irrational imagination of a culturally convergent, homogenous global consumer with the same mindset and attitudes worldwide and also the same needs, wants and preferences. The idea of the existence of a global consumer is and remains a myth, as is shown by this thesis in the Indonesian example. It is these issues that are addressed within this thesis.

Classic international and consumer marketing textbooks generally emphasize world markets and are often cross-border extensions of American marketing thought with no reference to developing and emerging (D&E) markets, such as Indonesia. This work offers a different approach to international marketing based on the recognition of diversity in world markets. The importance of culture is the basic premise which this book will sound and test and that which companies cannot continue to deny. The widened significance of culture in consumer behaviour is hereby considered as a means per se, and also as the ultimate vehicle for the development of an analytical diagram for intercultural marketing within the framework of this research. The impact of culture on consumer behaviour explains the necessity of an integrative analysis of cultural peculiarities when penetrating new markets. The issues of how to develop a marketing strategy, how to win the share-of-wallet-game and the issues of branding in an alien culture are current fundamental questions at a time when the sacrosanct myth of a global consumer (long and fiercely defended by American management gurus) is being dispelled. This work with its strategy of accommodating international marketing in the Indonesian context and transforming it into intercultural marketing offers an approach to addressing these challenges.

The author invites the reader to undertake an exercise in de-centering and learning more about one specific country, instead of an overly simplistic view of Asian markets and their consumers. This book places special emphasis on the interests and needs of companies which are beginning to develop the Southeast Asian market region. In conclusion, it is to be hoped that the integrative analytical diagram for intercultural marketing, developed during the research underlying this thesis, will be applicable and pertinent outside Indonesia.

Berlin, January 2006

A.2 TECHNICAL COMMENTS

In this thesis, quotations have been made Harvard style, i.e. publisher, publication date and page reference follow the quotation in parentheses. If the comment refers to the subject of a complete book, then no page references are made. Owing to the length of internet addresses, they have not been reproduced in full in parentheses in the body of the text. Internet addresses with the dates they were called up can be found in the footnotes.

Prior to the start of the individual sections or chapters, a summary can be found, which is framed. This is designed to indicate that it is a summary which will serve as an overview to the paragraphs to follow.

Summary

Examples from the real world are shaded grey in the entire text to make clear that it is a practical example. In these examples, as opposed to the main body of text, graphics and tables can be found along with pertinent images in an endeavor to make the practical example as vivid and clear as possible.

Example

Several appendices are added to the thesis and attached in the form of a DVD to this work. In Appendix 1, relevant information which accompanies the comments in the text can be found, largely in the form of frequently commented upon advertisements from Indonesia, Singapore and Malaysia (collected and evaluated during research). The DVD also includes business school case-studies, field research pictures, activity reports, presentations and documents which originated form field research. All figures of this thesis can be found there, too. In Appendix 2 a list of all interviewees can be found (see also appendix at the end of this work) and Appendix 3 presents CVs in German and English as well as all documents required for the submission of this thesis.

Conventions

This book follows the current conventions of spelling Indonesian names of places and persons as applied since 1972. Exceptions are made only when a person has preferred the traditional spelling, for instance Soeharto.

A.3 INTRODUCTION

"Eating a McDonald's hamburger in Los Angeles never means the same as eating the same thing at the same moment in one of its counter-outlets in Yogyakarta, […] Consumption always makes a social statement […]." (Pinches 1999: 159-160)

"Lifestyle has become a crucial site for the construction, negotiation and contestation of identity in Indonesia." (Pinches 1999: 178)

"International opportunities require careful exploration." (Czinkota and Ronkainen 2004: 11)

A.3.1 Expanding markets in the Asian century and its challenges

Since the 1990s many western MNCs have been faced with the prospect of overcapacity in their home territories (Griffin and Pustay 2002: 456; Proff 2004: vii; Cravens and Piercy 2004: 21; Kotabe and Helsen 204: 29-33). This has prompted various large corporations to diversify their investment portfolio away from their saturated home markets toward establishing operations in the developing economies of the Asia-Pacific region (Andrews et al. 2003: 2; Keh and Chiang 2004: 1; Stone and McCall 2004: 3; Turpin and Shen 1998: xi). This behaviour is still highly noticeable. Many of these business activities, however, were unable to bring about the expected success. The main reason for these failures is the disregard of cultural diversity. At the beginning of the twenty-first century, it is therefore appropriate to reflect on the companies' basic assumption of consumers and their behaviour in foreign markets. Companies worldwide are adopting new mindsets, business models and strategies to tap into the tremendous potential of Asian markets, but all too often overlook cultural components, which may influence these commitments. This is because the thesis of a purely economic globalization, predominant in many companies, postulates the emergence of an increasingly globally homogeneously thinking and acting consumer in the course of cultural unification.

This thesis aims to prove the emergence or existence of such a "global consumer" in Indonesia. A particular focus is hereby put on international marketing (the aim and execution of which is to encourage consumers to buy) and on the question of what influence culture could have on international marketing. Though one key fact of the marketing concept is an adaptation to the environment, this adaptation is limited by the majority of companies to legal, economic and political factors, and does not include the study of the target country's cultural peculiarities. Even though many executives understand the need for such an adaptation in their domestic markets, they often believe that international customers are just like the ones the firm deals with at home. An adaptation of cultural factors could a priori bar the ethnocentric world view predominant in many companies. Likewise, a large part of the literature on international marketing tends to generalize und expects convergence of ideas, demands, needs and preferences of consumers worldwide, too, which gives managers the impression that globalization would lead to cultural homogenization with western overtones. It is precisely this idea, however, that leads to many firms committing grave mistakes. Repeatedly, it is believed that certain brands, like Coca-Cola or Nike, sell around the world virtually unchanged, however, this view is challenged by the perception that attempts to implement marketing standardization measures worldwide or to force a uniform standard upon end-consumers have led to major *faux pas*.[7]

Since it became clear that ethnocentric international marketing strategies of mega-brand companies cannot be implemented worldwide because of cultural heterogeneities, the need to re-examine the question of the role of culture in international marketing and consumer behaviour has become apparent. This work endeavours to analyse the influence of culture on consumer behaviour focusing on Indonesia. Indonesia, a member of ASEAN[8], was chosen since it is one of the world's most populous countries. It is increasingly regarded as one of the economic driving forces of the twenty-first century despite the transformations from miracle to crisis with the Asia Financial Crisis, the war against terror and the SARS outbreak.[9] Current data indicates that Indonesia is coming around again as international players make plans for increasing their opportunities in this region.[10] With an improved political situation, stable macro economic conditions and rising consumer spending, Indonesia is heading for better times (Basri, presentation December 2004).[11] This improvement is followed up closely by business strategists who consider that Indonesia is becoming one of the foremost consumer markets in the future (Far Eastern Economic Review 2003a; TD, interview December 2004; EV, interview December 2004). Companies in the fast moving consumer goods sector (FMCG) envisage the extension of their customer base, whereas developing and emerging markets play a particular role due to their population and increasing prosperity.

A.3.2 Subject and question framework

The objective of this investigation is to examine consumer behaviour in relation to cultural complexities using the example of the Indonesian consumer. It need to be borne in mind that there is no homogenously

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[7] Actually, Coca-Cola sells its main soft drink brand Coca-Cola (Coke) well only in its home market. In other markets such as Germany, Japan or Indonesia, the company bought or introduced brands offering beverages accommodating local tastes and demand. In Germany that is the mineral water Bonaqa, in Japan several tea brands and in Indonesia Fresh Tea, a sort of ice tea.

[8] ASEAN: The Association of Southeast Asian Nations is a political, economic, and cultural organization of countries located in Southeast Asia. Founded in 1967, its aim is to foster cooperation and mutual assistance among members. Members are: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. Source: http://www.asean.or.jp/eng/general/base/glance2004.html; http://www.aseansec.org/home.htm (10 February 2005)

[9] http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000192183.pdf (13 October 2005);
http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000185704.pdf (23 March 2005);
http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000045778.pdf (11 September 2002);
http://news.ft.com/cms/s/953f43f4-a4c7-11da-897c-0000779e2340.html (24 February 2006)

[10] http://www.bkpm.go.id/en/forum/html/tops.php?Cat_Id=1&TopId=27 (27 October 2005)

[11] http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/Key_Indicators_Indonesia.pdf (1 October 2005)

thinking and acting global consumer from any cultural origin who has the same needs and wants, and who demands the same products and reacts in the same way when he/she watches or reads an ad. Globalisation has not led to a simplification and unification of consumers' preferences and behaviour. On the contrary, in many places there are more options for consumers than ever before and this has made corporate achievements dauntingly unpredictable. This work investigates to what extent culture impacts on consumer behaviour, and which cultural elements, for example language or religion, particularly influence consumer behaviour in Indonesia. In view of the opinion constantly expressed from the industry that the world is undergoing consumption and cultural homogenization (McDonaldization and Disneyization), this thesis aims to analyse if these assumptions reflect reality. Experience of marketing in Malaysia and Singapore, as well as preliminary observations in Indonesia seemed to indicate the very opposite, i.e. that owing to the large number of products and services available today worldwide, the choice for individual consumers who purchase, interpret and implement respective products in their local context, has increased enormously. This however corresponds rather to heterogenization of consumer behaviour and thus contradicts the assumptions of many business representatives. The proof of these assumptions is carried out on the basis of the following questions which form the framework of this thesis.

How can culture's influence on consumer behaviour be investigated in a structured and comparative way? How does local culture shape Indonesian consumer behaviour? What are the features of Indonesian consumer behaviour? How do multinational companies (MNCs) and their local counterparts adjust their marketing strategies towards their Indonesian consumer base? Do changes in consumer behaviour occur over the course of time, and if so, which?

From an academic point of view, this thesis is relevant since it deals with a question (the influence of culture on consumer behaviour) which has been neglected in the area of business studies which is why culture in daily business is assigned too little attention. From the point of view of area studies, and generally from the point of view of research in Indonesia, the thesis is important since Indonesia to date has not been considered from this point of view.
Although studies concerning intercultural communication with the frequently stated aim of improving communication across borders do exist, however investigations under intercultural aspects of the companies' target groups (the consumers who these companies earn their money with) have not taken place. This confirms the general internal focus of intercultural communication research (mainly dealing with the company) while this thesis concentrates on looking at the market and chances the external view. Furthermore, the studies on Indonesian consumers available to companies are limited to psychographic

studies (Table B-2, Figure B-10). These studies, however, scarcely contribute to explaining cultural influence on consumer behaviour. This was also the opinion of the interviewees.

A.3.3 Research framework

In principle, the thesis presented is an interdisciplinary one. It tries to establish a nexus between Southeast Asian studies and business studies using international marketing, the success of which is based on cultural aspects (which are object of investigation of area studies but are dealt with only superficially in business studies). To answer all the works underlying research questions, an analytical diagram (which will be elaborated in detail in Part C) was developed. This analytical diagram incorporates ten value orientations, which influence consumer behaviour. These can be measured in terms of empirical data and can be compared with various other levels of investigation. The analytical diagram, used in interviews during field research in Indonesia, is a construct especially developed for this work. With the aid of the analytical diagram made up of ten orientations which influence consumer behaviour, applied in Indonesia, a picture of the Indonesian consumer was painted, and his behaviour was analysed. The analysis will be completed via presentation of marketing activities, mainly from advertising, which reveal how certain companies adapt to local cultures.

The initial step in the investigation determined which trend Indonesia could reveal in the individual orientations and which ramifications these facts would have on consumer behaviour. The results of this evaluation and further questions pertaining to consumer behaviour were then presented and discussed in interviews on site in Indonesia. The interviewees were marketing specialists from multinationally operating companies (mostly from general management level) who were invited to interviews in international hotels in Jakarta. Where deemed necessary, results from investigations on Malaysian consumer behaviour (found in the course of my master thesis) were included. Furthermore I attended an INSEAD business school seminar (Marketing of Consumer Goods in Asia) through which I had contact to western as well as to Asian senior managers, who I could question about their experience concerning the impact of culture on consumer behaviour, and to whom I could present and explain the analytical diagram. Since the seminar was intended to sensitise managers to Asian consumer behaviour, I was able to form an impression as to how even INSEAD, one of the top three MBA schools worldwide, deals with the phenomenon of cultural influences on consumer behaviour (here Japanese culture is mostly equated with Asian culture!).

Besides interviews in Indonesia with managers, journalists and employees of organisations such as YKLI (Indonesian Consumer Foundation), thanks to intensive networking I was able to question celebrities from public life and popular on TV such as Ratih Sang, Dewi Motik Pramono and Inneke Koesherawati, who colour consumption via their role model function. Besides interviews, various advertising events were attended in Indonesia, such as the Indonesian Advertising Association's Power Breakfast. These meetings facilitated mostly informal conversations, which did however lead to important findings relating to localization trends in advertising. The results of the interviews were completed with observations of Indonesian consumers in malls, or modern outlets, and also on traditional markets which were the subject of the first field research in March 2004. The interviews took place in the period from August to December 2004, when the second field research was conducted. In the appendix an overview of the interviewees can be found. The interviews are available in digital format (.dss and .m4p).

A.3.4 Literature

The first serious book on the subject of the cultural aspects of marketing was written by Jean-Claude Usunier in 1997. It was published more than twenty years after the warnings by two other Frenchmen, André Laurent and Michel Crozier, about the limitations of Anglo-Saxon approaches to management and organization theories. Usunier's book, however, only scratches the surface. His main stance was to compare the differences between cultural systems in which marketing activities unfold. Usunier refers to culture as a factor affecting business, like other socio-political, financial, ecological, and legal factors. Contrastingly, this work understands culture as the context in which sellers (companies) and buyers (consumer) meet. Culture is not just another element in the equation as it is the dominant factor, one that pervades all relationships and behaviours and, importantly, meaning. Culture challenges the fundamental strategy of marketing and is all-pervading. Hence, culture must be considered as the context within which all transactions with stakeholders take place.

Even in 2006 the number of books dealing scientifically with the influence of culture on consumer behaviour, is very limited. Almost all the works, such as Schütte and Ciarlante (1999) and Leong, Ang and Tan (2001) are from authors from the field of business studies who take culture seriously but do not elaborate on the direct influence of culture on consumer behaviour and as a consequence, on international marketing. Furthermore to date there has been no publication which approaches Indonesian consumers in an interdisciplinary way as does this thesis. This thesis aims to compensate for these shortcomings.

A.3.5 Roots

The original impetus for this paper was triggered by personal project experiences in the Southeast Asian region from 2000 to 2002, when the impact of cultural factors in connection with consumer behaviour and international marketing became clear. Experience and analyses in connection with a product introduction in Malaysia led firstly to the creation of my master thesis entitled "Konturen und

Dimensionen eines südostasiatischen Kultur- und Käuferverhaltens" ("Contours and Dimensions of Southeast Asian Culture and Consumer Behaviour"), and secondly to the closer inspection of advertising campaigns conducted by multinationals in Southeast Asian countries. In this context I concentrated on the automobile industry which becomes obvious for example in figures (C-12, 13). Furthermore it became apparent that despite the multitude of surveys researching the influence of culture on intercultural communication, the findings of these studies have not found their way into international marketing. Although many managers are given the opportunity to take advantage of intercultural trainings, the knowledge gleaned is not used for the conception of marketing strategies. The evaluation of these issues led to the following decision: (1) to investigate the influence of culture on consumer behaviour and (2) to use as an example Indonesia which is considered by many companies (such as Nestlé) one the most important markets for fast moving consumer goods.

A.3.6 Structure

This work is subdivided into five parts (A-E). In part A chapters A.5 and A.6 in particular should be drawn attention to. Chapter A.5 offers an introduction to area studies which besides business studies is the starting point of this work. The elaboration on area studies is intentionally dealt with in detail in order to attach importance to for readers unfamiliar with this discipline. The same applies to chapter A.6. It introduces the field of research Indonesia. Content and literature of this chapter will already be familiar to the Indonesia specialist. Part B presents basic theoretical principles of this thesis, which are the theories on globalization and the main features of marketing teachings. Chapters B.4 and B.5 sum up some thousand pages of marketing literature in 35 pages to transfer basic knowledge to readers not familiar with these concepts. Part C, the main part of the thesis, commences with an in depth discussion of the analytical diagram forming the basis of this work and of the structuralist culture models the diagram is based on. In chapter C.2 research results are introduced and in chapter C.3, the evaluation of the former. Part D consists of a case study carried out during the research trip to Indonesia. This case study reflects a current phenomenon: the renaissance of religion and how companies react to this new *Zeitgeist*. Part E summarizes the results of this thesis. This part is followed by the bibliography and a documentation of the interviews.

A.4 THE LANDSCAPE: AREA AND BUSINESS STUDIES

Summary Since this thesis establishes a nexus between area studies[12] and business studies, it is necessary to go into detail on the history, position and state of area studies. The intersection between area studies and business studies is culture, the actual starting point of area studies. It has however been a neglected aspect of business studies which, although not totally repudiating the influence of culture on economic methods, only take culture into account rudimentarily. By considering international marketing and its target group (consumers in Indonesia) from the perspective of area studies, this thesis assumes that culture is to be recognized as a decisive factor in International marketing and its influence for example on consumer behaviour, needs to be investigated.

A.4.1 The starting point

Asian studies as a modern science was first developed by European scholars in the 18th and 19th centuries (Yamamoto 1986).[13] The major driving force behind the development was the then expansion of European economic and political powers throughout the world, rendering it necessary for Europeans to understand Asian countries and peoples (Osterhammel 1998: 15-27). Between the 1950s and 1970s, Asian studies in various forms grew and thrived on the campuses of many American universities and colleges where it was first institutionalized (Jervis 2002). The birth of Southeast Asian studies itself can be traced back to the needs of the American military during the last world war (Harootunian and Sakai 1999: 596).

Much has been written on the Western origins of Southeast Asian Studies and the "constructedness" of the object of this field of study, "an externally defined region" (Heryanto 2002: 3). The view of an externally constructed region, i.e. an artificial construct lacking in cultural common ground is, however, polemic. Wolters (1999: 106), for example, who has been active in seeking out sources of cultural unity in Southeast Asia, maintains his focus on Southeast Asia as a region and as a cultural area sharing widespread cultural traits. Besides the criticism that Southeast Asian studies is a subject which is not based on cultural or geographical realities, it is also often criticized for being in general an anachronistic subject in a global epoch.

Jackson (2003: 1) explains in this context that globalization theorists have questioned the geographical isolation and distinctiveness of the different cultures that area studies sought to understand. In addition, he presents the idea that area studies is now widely considered to be based upon false premises and to be

[12] Area studies is defined here as a strategy for building understanding based on holistic analysis of a specific place or culture. At its best, this analysis combines language, humanities, and the social sciences to build knowledge that is both systematic and contextual (Koppel 1995).
[13] The Bataviaasch Genootschap van Kunsten Wetenschappen was created by Dutch scholars in Jakarta in 1778, the Asiatic Society of Bengal was founded in Calcutta in 1784, and the Société Asiatique was established in Paris in 1882.

an epistemologically invalid approach to understanding contemporary Asian societies and cultures (ibid: 2). Trouillot (2005: 1) adds that "recent changes associated with globalization are alleged to have exhausted the relevance of area studies". It is generally argued that this need for justification is a reflection of our times where it is questioned whether in a globalized environment, area studies (Southeast Asian studies in this case), is still relevant (Troillot 2005: 1; McVey 1998: 37-64). Burgess (2004: 122) documents that a number of projects and networks (for example, Pacific Asian Cultural Studies Forum, Project for Critical Asian Studies, Crossing Borders: Revitalizing Area Studies)[14] have emerged in recent years that attempt to redefine and revitalize area studies in the context of changing global conditions. Burgess adds (2004: 122): "These initiatives can be seen as responses to academic 'crisis' generated by changing global conditions".

The criticism of the research object, i.e. Southeast Asia, is amplified by criticism of its research approaches, namely that area studies on the whole is suffering from a "theory cringe". This means that scholars of Southeast Asian studies often look outside the field for major theoretical developments, and see the region as a source of data only. Many Southeast Asian specialists are accused of, and partly rightly so, working in a space devoid of theory. Furthermore, frequently many research works are purely descriptive in character. The reverse however is also true, i.e. that other courses of study, for example political sciences, work with analytical methods developed outside the region, also considering Southeast Asia as a databank without really knowing the culture and languages of the countries they are studying. Therefore they are often unable to develop thorough insights. At this juncture one can especially think of political scientists who discovered the gravitation field of transformational research and who, from the end of the 1990s, devoted their attention towards the then emerging pro-democratization movements in order to put their thesis to the test.

This trio of critical evaluations (eternally constructed study object, anachronistic research field, pre-scientific approach, i.e. devoid of theories and descriptive research methods) of Southeast Asian studies, or area studies in general, continues and leads to a crisis within the field of studies owing to manifold budget-slashing initiatives at university level. Southeast Asian studies has been profoundly affected by financial retrenchment at many colleges and universities, as support for intensive language study, extensive field work, and specialized faculty and library resources has become increasingly scarce (Houben 2004: 87-95). The erosion of traditional funding sources is one reason for the contemporary crisis in area studies, according to Jervis (2002).

[14] The projects and networks were established by the Goldsmiths College (University of London), the University of Washington and the Ford Foundation respectively.

The picture of growth of Southeast Asian studies in particular, and area studies in general, is no longer completely valid (Houben 2004: 87-95). In this sense, the experience of Southeast Asian specialists can be summarized appropriately. In relation to the current continuance of Southeast Asian studies Heryanto (2002: 8) comments that "… Southeast Asian studies in the world's major centres has experienced difficult conditions due to a series of budget cuts by universities and governments". The result of this is that the evolution of area studies, Southeast Asian studies in this respect, is at a pivotal point - intellectually, institutionally, and financially - and apparently has to justify itself in times of tighter budgets (Clammer 2000: 47-65; McVey 1998: 37-64).

All this leads to a discussion of a possible, necessary repositioning or renewal of Southeast Asian studies, often considered to be a subject in danger of extinction (Orchideenfach)[15] threatened with marginalisation, and in an endeavour to guarantee long term survival in university operation. Reports targeting the crisis of area studies published for example in Australia, argue for the necessity of repositioning and renewing Asian Studies through the deepening, diffusion, and exchange of knowledge in and between government, business, media, non-governmental organizations (NGOs), education and community circles.

Notwithstanding, the importance of area studies remains unshaken for the understanding of the respective area in spite of all criticism. It is a troubling reality that the need for focused interdisciplinary, pluralistic study of different parts of the world has hardly diminished, although disciplinary boundaries are breaking down, the cold war and colonial era are over, and globalization is on the march. It can be argued that the political complexities of the late twenty-first-century world, and the changes brought about by accelerating worldwide trade and communication, make area studies more urgent than ever. This work attempts to draw attention to the importance of area studies in general and Southeast Asian studies in particular, by using an interdisciplinary research approach and an, for internationally operating companies, attractive subject matter, in order didactically to document and contribute to the understanding of this region.

A.4.2 Implementing cultural capital: The call for a more direct dialogue with the corporate world

Europe's and particularly Germany's economic involvement in Southeast Asia have increased significantly over the last two decades. Still there is an imbalance: while it is clear that Germany has substantial and growing interest in Southeast Asia, commitments reflecting this interest are unclear

[15] German: "orchid subject" meaning exotic subject.

(Houben 2004: 87, 95). Despite the aforementioned realities, the work at hand provides evidence that there is a place for area studies in an era of global culture, international conglomerates, and transnational flows of people, goods, information and capital. Morris-Suzuki (2000: 20) justifies this in the following way: "… area-based projects cannot be replaced by singular, universalizing cultural studies." Without the kind of interdisciplinary perspective and in-depth knowledge of particular places that area studies fosters, such understanding will not be possible and will provide one of the few institutionalized spaces for interdisciplinary conversation within academia.

Furthermore, there is indication of widening interest in and competence in Asia elsewhere in academia as well as outside the universities and this interest should be addressed in order to promote the importance of area studies and to underline its competencies. Interest in Asia is being expressed, for example, by an increasing number of business schools offering Asia modules in their master of business administration (MBA) curricula, executive programs and seminars on Asian business behaviour and publications offering information about how to do business in Asia.[16] Unquestionably, most of these offers are commoditized mass-produced knowledge and blatantly fail or refuse to deal with culture and business in any satisfactory way, as most offerings play a rather hands on service role for the professional communities and often lead to hasty overgeneralizations about Southeast Asia on the basis of vacation experiences. In the course of this thesis the author attended a so-called executive education course in order to form his opinion.[17] Thereby the impression was reinforced that cultural aspects in marketing are granted only limited attention. And exactly this leads to the (in the course of this study) frequently indicated problems in practice where culture is namely often the decisive factor for successful marketing and the misrepresentation of this fact leads to failure. But it is precisely this omission (treating culture as a "rubbish bin variable" in business schools' curricula) which offers opportunities for area studies to draw attention to its own competencies.

In this perspective area studies must further ensure that knowledge and understanding of particular places continues to be founded in the serious study of culture, language, and history, while opening up this discipline to new questions, new approaches, and new ways of understanding both history and changes in the contemporary world (Bowen 2000: 3-19; Watson 1997: viii; McVey 1998: 37-64). The important challenge posed today is how to keep Southeast Asian studies "relevant", as Clammer (2000: 47-65) expresses it. The commitment to rigorous and detailed knowledge that has characterized area studies at

[16] Top Business schools with campuses in Asia are for example: INSEAD (http://www.insead.edu/campuses/asia_campus/index.htm), The University of Chicago Graduate School of Business (http://chicagogsb.edu/visit/singapore/); ESSEC Business School (http://www.essec.edu/study-international-business-school/campus-essec), Duke University Fuqua School of Business (http://www.fuqua.duke.edu/index.html).
[17] INSEAD, Asia Campus Singapore, October 2004, http://executive.education.insead.edu/consumer_goods_asia/

its best must not be abandoned, and must indeed be strengthened. For this to occur, it is also clear that some of the basic premises and procedures of the field will have to be rethought.

The interdisciplinary basis of area studies and discussion about their *raison d`être* in a globalized world open the opportunity to expand their traditional perspective on that of business and economic studies, for example. A renewed area studies field should strive to make connections among these disparate and typically disconnected fields as for example Hwy-Chang Moon and Donghun Lee did in 2002.[18] As the future of area studies and therefore the future of Southeast Asian studies does not lie in the restoration but in the reassessment of its boundaries – so that learning about Southeast Asia becomes as holistic and complete as possible – Southeast Asian studies has to adopt topic areas which are beyond its traditional fields of research. Failure to address this challenge will not mean the end of area studies. However, with an expansion of area studies for example in the direction of business studies (business studies modules could be included in bachelor and master programs focusing on Southeast Asia), Southeast Asian studies could see a revival in the depth and comprehension of their regional focus. Furthermore, and of utmost importance in times of cutbacks and budget slashing initiatives, is the fact that a collaboration between area studies and the economic world can lead, for example, to the acquisition of new capital from company sources. In a time of change in the identity and purpose of donors to area studies programs, it is time to act to tier it to management as a form of cultural capital provider to companies and to tie them up as capital contributors. Interdisciplinary approaches and solutions to area studies can ultimately be much better for companies than those of trained business graduates who travel to a foreign country for three weeks and then think that they know everything concerning one country without having extensive field experience. The interdisciplinary basis of area studies opens the object area for this study and receives an expansion by including business studies.

In closing, it is necessary once again to point out that area study projects remain an essential method for understanding the twenty-first century world. It cannot be denied that patterns of global cultural fusion are becoming visible in some domains. However, distinctive forms of discourse and culture continue to be place-based, bounded, bordered, and marked by spatial discontinuities, even under globalization (Jackson 2003: 3); to prove this can be a key assignment of contemporary Asian studies, as this work shows.

[18] Other examples of the expansion of area studies beyond tradition topics are: Jong-Hak Eun, Keun Lee (2002), Is an Industrial Policy Possible in China?: The Case of the Automobile Industry, in: Journal of International And Area Studies, Vol. 9, No. 2, December 2002: 1-22. Lifeng Geng (2003) Expatriate Managers in International Joint Ventures, in: Journal of International And Area Studies, Vol. 10, No. 2, December 2003: 63-78.

A.5 INDONESIA: THE COMPLEX SPHERE OF MARKETING - STARTING POINTS

Summary In order to evaluate whether Indonesia and its consumers would be a viable market and business arena, and to ameliorate the opportunities for an entrepreneurial commitment there, relevant factors must be exposed a priori an investigation of consumer behaviour. It is misleading to assume that consumers are extraneous to their environment and that they are immune to happenings and occurrences around them. These include not only political and economic changes but also transformations in the social domain. An insight into the poly-ethnic and multi-religious social structure of the country will follow a historical synopsis. Without the benefit of this foundation of knowledge, the success of a corporate commitment of any kind seems imprudent. The maxim of this thesis is: "Pay attention to the environment", which is one of marketers' favourite slogans. Indeed, marketers should pay attention to and learn about forces that affect consumers' behaviour. The following observations are deliberately very detailed because they reflect the conditions of an entrepreneurial commitment in Indonesia. Special emphasis is placed on Indonesia's religious and linguistic variety since these are core constituents of the analysis of cultural influence on consumer behaviour in the main part of this thesis.

A.5.1 A visual introduction

Selamat datang di Indonesia![19] Welcome to around 220 million citizens shaping the world's fourth most populous nation epitomizing a kaleidoscope of cultures and ethnicities. Welcome to the largest Muslim society outlining one of the few democratic states in the Islamic world. Welcome to an emerging economy bouncing back and attracting an increasing number of investors operating in a wide array of industries.

At the start of the new millennium the economic centre of gravitation has shifted back to the Asian continent, where Indonesia is again arresting international financiers' attention (EV, interview December 2004). In 2005, after a period of economic crisis, forests of asparagus-like towers of steel and glass, luxurious shopping complexes and neo-classical housing estates were again under construction. In August 2003, the Far Eastern Economic Review noted that "Indonesia's Rich Are Back" (McBeth 2003: 44). We have become familiar with images of well-heeled commuters in endlessly long traffic jams and an emerging middle-class celebrating its lifestyle in the ever growing number of malls and in *en vogue* restaurants. Growth rates, particularly in retail are captivating. The omnipresent parabolic antennas have become the symbol of success and are set up in even the most remote hamlets. Despite this neon-light-twinkling modernization, extreme contrasts still shape Indonesia. However, social schism is not as striking as in India or the Philippines, and poverty is down again from the crisis highs of the Asia Financial Crisis in 1997, of which Indonesia was a prominent victim.

[19] Indonesian for: Welcome to Indonesia.

Looking for burgeoning business environments, multinational companies (MNCs) are again considering Indonesia. Increasing levels of income and purchasing power along with the very large number of consumers in locations where there has been little penetration constitute an untapped market which too many companies seem to have neglected during their gold-rush in China during the last decade. With the rising confidence of international investors in the newly elected president, Susilo Bambang Yudhoyono, Indonesia might become a hotbed of foreign direct investment (FDI) in Asia. Historic highs on the stock index, double digit sales growth and incredibly optimistic consumers are luring investors back. Indonesia's most prominent investor is Altria's Philip Morris International which agreed to buy Sampoerna[20] for US$5.2 billion in early 2005.

In the year 2006 Indonesia's inhabitants have more opportunities for disposing of their income than ever before. Chic malls and apartment high-rises convey the feeling of belief in the future while at the same time historical amnesia – the inevitable by-product of the modernization process – is prominent and surpasses, one suspects, the level of belief in the future in Euro-American societies: the "Now" of mass consumption dominates. All those observers who merely expect impoverished rice farmers will be surprised by the country's prosperity, even if it continues to be beleaguered by a multitude of disparate problems. The country and its inhabitants are striding out into the future irrespective of occasional setbacks and still unresolved problems, in an endeavour to integrate intensively into the economic world both as manufacturers and consumers. The following sections will introduce Indonesia, its peoples and their history.

A.5.2 Indonesia: An Introduction[21]

The Republic of Indonesia (Bahasa Indonesia: "Republik Indonesia") extends in excess of 5,100 km from East to West on both sides of the equator between the Southeast Asian mainland and the Australian continent, thus encompassing a large portion of the Malaysian archipelago (BPS 2004: 5-17). Indonesia is not only the largest country in Southeast Asia with an area of 1.9 million square kilometres, but is five times bigger than Germany. The sprawling largest archipelago in the world consists of more than 18,000 islands, around 6,000 of which are considered to be inhabited. The political and economic centre of Indonesia - its capital city Jakarta - lies in the outer north-westerly Java, which is home to almost two thirds of the Indonesian population despite the fact that the island covers a mere 7 percent of the entire national territory. The population distribution is, on the whole, very disparate (Suryadinata, Arifin and Ananta 2003: 1-30). The average population density is 108 inhabitants per square kilometre rising to over

[20] P.T. Handjaya Mandala Sampoerna Tbk.
[21] The following two pages serve as an introduction only. All topic areas presented here will be discussed in greater detail (including references) in the subsequent sections.

900 per square kilometre in mid and western Java (BPS 2004: 7). This makes Java one of the most densely populated regions on earth, where about one half of the Indonesian population lives. Indonesia borders Malaysia on the island of Borneo, Papua New Guinea on the island of New Guinea and East Timor on the island of Timor. In addition to the capital city of Jakarta, principal cities of high population include Surabaya, Bandung, Medan, Palembang and Semarang.

Indonesia is at least nominally the state where the most Muslims live. Of the around 220 million inhabitants, approximately 88 percent count as Muslim. This means that approximately 193 million people belong to the Muslim community of believers. Even though Islam is not the official state religion, and although the constitution does not actually explicitly name Islam as the official religion, in the past it played and today continues to play a central role in the political and socio-cultural dynamics of the country. The first indications of the Islamic influence on the region dates back to the seventh century A.D. and were a result of intensive contact via trading with the Arabic world and what is today known as India. Since that date Islam and Hindu-Buddhism have combined with indigenous beliefs and cultural traditions to colour the identity of Indonesia's inhabitants (Schumann 1999: 432). Indonesian heterogeneity is reflected above all in Indonesia's ethnic diversity. The insular state is home to a total of 360 different ethnic groups, 30 of which make up the Malay people, which the Indonesian majority predominantly belongs to. Additionally, linguists have calculated 250 different regional languages. Confronted with this unique variety, Denys Lombard (1999) has described the Malaysian archipelago as a crossroads of civilizations, which due to their ingenuity are able to integrate the differing strands and influences by means of an unchanging cultural core.

Furthermore, after the collapse of the authoritarian Soeharto regime in May 1998, and due to the democratization process, Indonesia could be considered the third most populous democracy in the world. However, even if the first free elections after Soeharto's fall in 1999 and the recently finished ones of 2004 can be described as rather fair and democratic (some limitations taken into consideration), political trench warfare between different Indonesian societal power holders and their supporters has not stopped. In the conflict over internal political exertion of influence, representatives of the old political elite, reform oriented powers, civil social organizations, the military and last but not least the representatives of the newly reinforced political force of Islam, face each other. On the one hand, by establishing a pluralist party system in recent years, by achieving relative freedom of the press, the official retreat of the military from the parliamentary process, important steps have been taken towards consolidated democracy. On the other hand, the political and administrative arena (since 1999 decentralization has been accomplished, as well as the strengthening of the legislature and judiciary against the executive) in Indonesia continues to be influenced by 30 years of patriarchal structures which developed under the Soeharto regime.

Cronyism, corruption and nepotism have been the instruments favouring certain clientele which characterized the state apparatus of the time and which still prevent transparency of political and bureaucratic processes to date (Bourchier and Hadiz 2003: 18-21).

Bambang Susilo Yudhoyono, a retired general, won in the country's first direct presidential ballot which ended in September 2004. With his western educational background which included numerous military training courses in the USA, he is considered to be open to further democratic reform, and thanks to his former career as a minister in Megawati's cabinet, he is less obliged to military forces than to civilian ones. Since the national elections in 2004, he has been faced, however, with a parliament strongly characterized by party political fragmentation. Now the individual aspects in this introduction will be elaborated on.

A.5.3 Geographical framework

Figure A-1 Map of Indonesia22

Indonesia's surface area is divided up into around 18,000 islands of which approximately 6,000 are inhabited (BPS 2004: 5-17). Indonesia extends in a north-south direction from approximately 6° north to 11° south over approximately 1,875 km, in a west-easterly direction, from an easterly longitude of 95° to 141° for more than 5,000 kilometres. North of Indonesia, one of the eleven countries of Southeast Asia, lie Malaysia, Singapore, the Philippines and Palau, and to the west, Papua New Guinea, to the south lie Australia and the Indian Ocean, which forms Indonesia's border to the west. Towards the Malayan

[22] (Source: http://www.cia.gov/cia/publications/factbook/geos/id.html)

Peninsula with Western Malaysia and Singapore, Indonesia's border is formed by the Strait of Malacca, and the border to the Philippines's islands lies in the middle of the Celebes Sea.

The Indonesian archipelago represents one of the most unusual areas in the world, encompassing a major juncture of the Earth's tectonic plates, the dividing line between two faunal realms, and the meeting point for the peoples and cultures of mainland Asia and Oceania (Bellwood 1997: 8-9; Parnwell 1999: 24), as such making Indonesia a bi-continental country (this ecological boundary has been called the Wallace line after its discoverer). These factors have created a highly diverse environment and society. The major Indonesian islands are characterized by rugged volcanic movements, covered by dense tropical forests, which slope down to coastal plains often covered by thick alluvial swamps and bordered by shallow seas and coral reefs (Bellwood 1997: 11-14). Cultivated land is mainly devoted to rice, which in many areas is grown on mountain terraces or to such cash crops as rubber (Parnwell 1999: 26-27). Because of its insularity, Indonesia has no large rivers comparable to those on the Asian mainland. The seas surrounding Indonesia, however, must also be viewed as a dominant physical feature, having an important effect on climate, transportation and the development of culture. Its location on the edges of tectonic plates, specifically the Pacific, Eurasian, and Australian, means Indonesia's physical structure is unique and complicated because it involves a complex series of shelves, volcanic mountain chains, and deep-sea trenches. Indonesia is frequently hit by earthquakes (and as in December 2004 by tsunamis). There are some 220 active volcanoes in Indonesia (the greatest concentration [22] is on Java) and many hundreds are considered extinct. Flora and fauna which are tropical differ markedly between Kalimantan, Bali, and western islands on the one hand, and Sulawesi, Lombok, and islands further east on the other. The climate of Indonesia is controlled by its land structure and position astride the Equator, which assure high, even temperatures, and by its location between the two landmasses of Asia and Australia, which strongly influences the monsoonal rainfall patterns. Indonesia's climate is tropical with a relatively stable temperature of 27°C (BPS 2004: 21-22). The rainfall is mostly triggered by monsoon winds; in the western part of the archipelago precipitation falls all year round, while in the eastern part, the southwest monsoon winds are relatively dry (Parnwell 1999: 29-30).

A.5.4 Population and demographics

A.5.4.1 Population data

Indonesia, as an archipelago, is characterized by significant disparities in its regional demographic perspectives (Caldwell 1997: 59-67). Indonesia's population statistics are difficult to estimate. The country's Central Statistics Bureau (BPS)[23] quotes 219.9 million as the population for 2005 (projections based on 2000 census which came upon some obstacles, mainly related to riots [BPS 2004: 49]), while the CIA Fact book estimates are over 240 million[24]. Suryadinata, Arifin and Ananta (2003: 2-3) state 205 million as the total population for the year 2000. Java is the most populous island in the world (83.7 million in 2000) (Suryadinata, Arifin and Ananta 2003: 12-13; BPS 2004: 64-65) and Jakarta one of the most populous and densely populated metropolitan areas. Jakarta with around 9 million residents (Suryadinata, Arifin and Ananta 2003: 3) is in 11th place internationally behind Shanghai (1), Mumbai (2), Karachi (5), Delhi (6), Manila (7), and Seoul (9) (BPS 2004: 595). The urban agglomeration is much bigger, however, as these figures refer only to the city proper. When it comes to the most populous urban agglomerations, Jakarta comes in 6th place with 18 million people (ibid 2003: 3; BPS 2004: 64), well behind Tokyo (1) and Seoul (4).[25] Other cities in Indonesia, such as Yogyakarta (3 million), Surabaya (2.6 million), Medan (2.5 million), Bandung (2.2 million), Ujung Pandang (Makassar) (1.25 million), Denpasar (500,000), and Banjarmasin (450,000) have significantly smaller populations. Provinces with huge population figures outside the main island of Java are North Sumatra with 11.5 million and South Sulawesi with 7.8 million (ibid 2003: 3). The Indonesian population depicts the following age structure: 30 percent are 0-14 years, 20 percent are 15-24 years, 25-20 years 10 percent. Less than 10 percent of the total population is older than 55 years (ibid 2003: 4-5). The huge contingent of persons younger than 24 years (around 50 percent of the total population) makes Indonesia an incredibly young market compared to industrialized nations (ibid 2003: 4-5). The older component of the population is, however, increasing. The life expectancy at birth is 69.75 years and the literacy rate (definition: 15 years or older who can read and write) is 87.9 percent. School age population, according to Susenas 2003 was 75.65 million or about 35 percent of the total population (BPS 2004: 103). In their most recent forecast, the United Nations Populations Division projects that Indonesia will be one of the largest contributors to world population growth until 2050 with an increase of 239 million people and a total population of just below 500 million.

Concerning demographics, there is a wide diversity across Indonesian regions in the fertility rate, mortality rate, life expectancy, and population mobility (both internal and international) (see for example: BPS 2004: 50-51, 103-105, 108-109). There is a striking paradox in population trends: on the one hand, there has been a rapid decline in fertility for over two decades in Indonesia (Indonesia is one of the few developing countries where the Total Fertility Rate (TFR) is below the reproductive level of 2.1 children

[23] http://www.bps.go.id (12 July 2005)
[24] http://www.cia.gov/cia/publications/factbook/geos/id.html (17 August 2005)
[25] http://www.infoplease.com/ipa/A0884418.html (12 July 2005)

per woman)[26]. On the other hand Indonesia has experienced a massive increase of population (Dwiyanto 1997: 292-300). Indonesia's population has nearly doubled since the 1960s, with a moderately high rate of growth, but there have been significant regional contrasts in this rate (Adioetomo 1997: 232-245; Lubis 1997: 246-255; Dasvarma 1997: 256-263). In Java, for example, population growth has been significantly less than in the outer islands. A sharp decline in fertility rates has also been in progress throughout Indonesia (Lubis 1997: 246-255). The two major factors for this decline have been an increase in the age when people marry and the rapid introduction of birth-control methods (on the topic of family planning in Indonesia, see particularly: Hull: 57-82, in: Niehof and Lubis [eds.] [2003]). Mortality rates have also declined substantially since the 1950s, largely because of improved health care, better dietary and nutrition practices, and improvements in housing and water quality.

Two major migration patterns have become discernible. The first involves the growing flow of people into urban areas, particularly Jakarta, which has resulted in an overall increase in the proportion of the population living in cities (BPS 2005: 50). Temporary, or circular, migration between rural and urban areas in connection with employment has also been common (see for example: Duncan 2005: 47-50; Findeisen 2005: 54-56). The second pattern is of people leaving Java for the outer islands. The central government has facilitated much of this movement (called transmigration - "transmigrasi") by sponsoring a program of resettling landless Javanese in sparsely populated areas (Vickers 2005: 193; Grabowsky 1999: 63). Urbanization in Indonesia as in the rest of Southeast Asia has been influenced by changing national economies and "the rate of urbanization in Southeast Asia has been growing at a phenomenal rate", according to Ho (2002: 1). Southeast Asia receives investment inflows, which largely benefit the metropolitan regions that will continue to experience rapid population growth in these areas (Grabowsky 1999: 63-65). The reasons for this are the following. First, drawing on the work of Jones (1991, 1993), the share of primary industry in total output has declined, replaced by a rising manufacturing share that tends to have an urban bias. Second, as a result of globalization of the economic system, the presence of indigenous industry has been supplemented by the inflow of foreign direct investments in search of lower cost production sites and emerging markets. Such inflows increased in the 1980s and 1990s, initially from the U.S., Europe and Japan, and more recently from East Asia (Wie 2002: 203-210). The third reason is a perception of better job opportunities, along with access to urban amenities in health and education, which are the main ingredients for rural-urban migration. As mentioned, industrial development has brought large-scale migration to urban areas – 42 percent of the population lived in cities in 2000, compared with 30.9 percent in 1990 and 22.3 percent in 1980.

[26] Pakistan, for instance, has a TFR of about 5 children per woman. In India, Iran and Nigeria the TFR is above the reproductive level of 2.1 children per woman. The ten countries which will contribute most to world population growth over the next 30 years are India, China, Pakistan, Nigeria, Ethiopia, Indonesia, Unites States of America, Bangladesh, Zaire, and Iran – in that order. http://www.iiasa.ac.at/Research/LUC/Papers/gkh1/chap1.htm (12 August 2005)

A.5.4.2 Ethnic groups

The Indonesian national motto “Bhinneka tunggal ika” (Unity in diversity), makes reference to the extraordinary diversity of the Indonesian population: there are more than 1,000 different ethnic/sub-ethnic groups (Suryadinata, Arifin, Ananta 2003: 6) and 250 distinct languages, and most of the major world religions are practiced there, in addition to a wide range of indigenous ones. Within this diversity there are certain groupings and concentrations; thus, most of the people are of Malay ancestry, speak languages that have an Austronesian (Malayo-Polynesian) base, and profess Islam (Villiers 2001: 25). The largest of the subgroups comprise of the Javanese, whose language is also the most dominant (Suryadinata, Arifin, Ananta 2003: 13).

According to the 2000 census, the population prorates in the following way: Javanese (41,7 percent), Sundanese (15,4 percent) Malay (3,4 percent), Madurese (3,3 percent), Batak (3,0 percent), Minangkabau (2,7 percent), Betawi (2,5 percent), Buginese (2,5 percent), Bantenese (2,1 percent), Banjarese (1,7 percent), Balinese (1,5 percent), Sasak (1,3 percent), Makassarese (1,0 percent), Cirebon (0,9 percent), and Chinese (0,9 percent) (ibid: 8-9). All other groups display a proportion significantly less than 1 percent of the total population of which Suryadinata, Arifin, Ananta (2003: 7-9) present more than 80 (ethnic groups less than one percent of total population) and document the multi-ethnic composition of the Indonesian society with their figures. This ethnic plurality varies from one province to another (ibid: 14). With the end to the Soeharto rule in 1998 there was also an end to strict social engineering and no public discussion of sectarianism (differences in ethnicity, race and religion were forbidden in the media) (Vickers 2005: 214). This led to the fact that the “pot of difference boiled over” (Vickers 2001: 214) and to feelings which shored up extremist sentiments against different ethnic groups, mainly Sino-Indonesians (subject of jealousy and competition) who are predominantly Christian. Thus, anti-Chinese sentiment blended with wider Christian-Muslim conflicts (see for example: Hefner 2000: 167-213).

A.5.4.3 Languages

Indonesia has more languages than any other country in the Asia-Pacific region, with the exception of the island of Papua New Guinea (Sneddon 2003: 196). Most of the languages spoken in Indonesia have an Austronesian base. The major exceptions are those of Papua and some of the Moluccas, where Papuan languages are used. The Austronesian family is broken into 18 major groups within which languages are closely related though distinctly different. It has much in common with other Malay dialects that have long served as regional *lingua francae* (Sneddon 2003: 22). The official language of Indonesia is Bahasa Indonesia (“Indonesian language“), a form of Malay, spoken in the Riau-Jambi area of eastern Sumatra, which belongs to the family of Austronesian languages (Nothofer 1999: 74-75). The name for the family, Austronesian, is made up of Greek formatives meaning “southern islands”. Since it is a relatively simple and widely used language that was not associated with one of the dominant ethnic groups, “Bahasa

Indonesia" has been accepted without serious question and has served as a strong force of national unification although most Indonesians speak a (local) regional language ("bahasa daerah") as their first tongue. Only 7 percent of Indonesians speak the Indonesian language as their first language, 90 percent speak one of 350 regional Austronesian languages, and 3 percent speak Mandarin or other Chinese dialects. Bahasa Indonesia is almost universally taught in schools and is spoken by nearly every Indonesian. Reference should be made to the fact that the use of the Indonesian language promises status, as Sneddon (2003: 210) notes:

> *"Indonesian is typically used for prestigious activities, and in using Indonesian people acquire prestige, or at least see themselves as doing so." (Sneddon 2003: 210)*

In addition, Indonesian is associated with education and modernity and is the language of Jakarta, where people viewed as powerful, wealthy and attractive, reside. Speaking like such people helps one acquire some of their prestige (Sneddon 2002: 210) and therefore it can be seen as a device for gaining prestige. The term "bahasa gado-gado" ("mixed-up language" - gado-gado being a mixed vegetable dish) is used derisively by Indonesians. The use of English is supposed to add status to the speaker as English is associated with modernity and education.

The Austronesian regional languages along with the majority of languages in Indonesia are Javanese (75 million speakers in North west Java, central Java and on Madura), Sundanese (27 million speakers in west Java) and Madurese (9 million speakers in east Java and on Madura) (Sneddon 2003: 198). As the largest regional language in Indonesia, Javanese is in no danger of extinction (Sneddon 2003: 210). Between the 1980 and 1990 census, the number of Javanese speakers rose by almost nine million (Sneddon 2003: 210). Owing to the ethnic heterogeneity in the individual provinces of Indonesia, and the resulting multilingualism, advertising should be avoided in regional languages.

A.5.5 Religion

Islam is Indonesia's main religion, with around 88 percent of Indonesians declared Muslim according to the 2000 religious census, making Indonesia the most populous Muslim-majority nation in the world. The Indonesian Central Statistic Bureau (BPS) conducts a census every 10 years. The latest data available, from 2000, indicates that 88.22 percent of the population label themselves Muslim, 5.87 percent Protestant, 3.05 percent Catholic, 1.81 percent Hindu, 0.84 percent Buddhist, and 0.2 percent other, including traditional indigenous religions, other Christian groups, and Jewish (BPS 2004: 106-107). The country's religious composition remains a politically charged issue, however, and some Christians, Hindus, and members of other minority faiths argue that the census underestimated non-

Muslims (Suryadinata, Arifin and Ananta 2003: 103-138). In addition, Indonesian beliefs appear to be too complex to classify as belonging to a single world religion, a statement that will become apparent in the course of the text. The Constitution grants "all persons the right to worship according to their own religion or belief" and states, "the nation is based upon belief in one supreme God" (Dahm 1999: 230-231). The Government generally respects these provisions; however, some restrictions exist on certain types of religious activity and on unrecognized religions. The Ministry of Religious Affairs extends official status to five faiths: Islam, Catholicism, Protestantism, Buddhism, and Hinduism. Religious organizations other than the five recognized faiths can register with the Government, but only with the Ministry of Culture and Tourism and only as social organizations. This restricts certain religious activities. Unregistered religious groups cannot rent venues to hold services and must find alternative means to practice their faiths.

A.5.5.1 Indian religions

Before the arrival of the Abrahamic faiths of Christianity and Islam in the Malay Archipelago, the popular beliefs in the region had been thoroughly influenced by Indic religious philosophy through Hinduism and Buddhism (Kulke 1999: 98-111). Both Java and Sumatra were subject to considerable cultural influence from the Indian subcontinent during the first and second millennia of the Common Era (Swearer 2002:119-123; Hiltebeitel 2002: 3-40). Hinduism as well as Buddhism, which share a common historical background and whose membership may even overlap at times, were widely propagated in the Malay archipelago. The influence of India (an “Indianization” of Southeast Asia is referred to) has determined the historical structure of the region to date (Kulke 1999: 98; Gomez 2002: 45). The Indianization occurred gradually and varied in several areas in terms of intensity and duration (Villiers 2001: 44; Gomez 2002: 45; Swearer 2002: 119-123). Nowhere was the indigenous culture completely destroyed, instead they were enriched in most areas (Villiers 2001: 44). Ancient popular indigenous and magical tenets were never completely overtaken by Hinduism, Buddhism or Islam; “adat” or customary law has never been superseded by Hindu or Islamic laws. Instead, they merged (Villiers 2001: 76). Just as with Islam later, Indianization and with it, Hinduism and Buddhism spread through trade (Villiers 2001: 44; Gomez 2002: 45). Hindu ideas followed the traders and merchants’ routes into the Southeast Asian courts. Religious concepts and rituals, Sanskrit, highly developed art forms (for example in Ramayana, epic Hindu literature [expressed in shadow play puppet shows, “wayang“], Mahabharata, Harivamsa and the Puranas) and social and political systems were not only brought by traders, but also through the Brahmanic people (Villiers 2001: 76-77; Hiltebeitel 2002: 5-10), who supported local lords in erecting a monarchical state form (power legitimization) (Villiers 2001: 83; Kulke 1999: 105). In the sixth and seventh centuries, many maritime kingdoms arose in Sumatra and Java, which controlled the waters in the Straits of Malacca and flourished with the increasing sea trade between China and India and beyond (Villiers 2001: 90).

The appearance of these powerful monarchies, whose heads (kings) were, in the tradition of the Indian constitution, the epitome of earthly gods, (Villiers 2001: 84) had far-reaching implications, which are apparent for example in huge collective projects such as the erection of imposing temples, or evident in the watering and drainage systems (Kulke 1999: 105). Besides the blending of Hindu and Buddhist traditions (for example the Hindu monarchs were considered the embodiment of Vishnu or Shiva and the Buddhists, as the manifestation of Buddha), the Indian caste system was, owing to contact with the indigenous cultures in all of Southeast Asia, not only adapted in a dramatically modified manner in the area of today's Indonesia.

This recurring phenomenon of emerging modifications in social, political and religious spheres at the conjuncture of indigenous and foreign elements, is described in literature as "selective adaptation", and can be considered today as a *modus procedendi* of Southeast Asian cultures. After the appearance of the earliest influences of Indianization, the Buddhist Empire came into being in the 7th century in Sumatra. From the 13th century onwards, the last great Hindu empire, Majapahit, which extended to become one of the first empires on an inter-regional scale, ruled from eastern Java (Kulke 1999: 105).

Although Java was to a large extent converted to Islam during the 15th century and afterwards, substantial elements of Hindu (and pre-Hindu) customs and beliefs persisted among ordinary Javanese. "Agama Hindu Dharma" is the formal name for Hinduism in Indonesia. It is practiced by 93% of the population of Bali, but also in Sumatra, Java (especially by the Tenggerese people on the east), and Kalimantan. About 3% of Indonesian population is officially Hindu. However, as mentioned, Indonesian beliefs are too complex to classify as belonging to a single world religion. Across the archipelago the Hindu legacy, along with the older mystic traditions, still influences popular beliefs. The caste system, although present in form, was never rigidly applied. The epics "Mahabharata" (Great Battle of the Descendants of Bharata) and "Ramayana" (The Travels of Rama), became enduring traditions among most Indonesians, expressed in shadow puppet play ("wayang") and dance performances (Taylor 2003: 21).

The Indonesian government has recognized Hinduism as one of the country's five officially sanctioned, monotheistic religions. Partly as a result, followers of various tribal and animist religions have identified themselves as Hindu in order to avoid harassment or pressure to convert to Islam or Christianity. Furthermore, Indonesian nationalists have laid great stress on the achievements of the Majapahit Empire, which helped attract certain Indonesians to Hinduism. These factors have led to a certain resurgence of Hinduism outside of its Balinese stronghold. The distribution of Hindus throughout Indonesia shows that they reside in all provinces but mostly in Bali where 75 percent of the Hindu population lives

(Suryadinata, Arifin, Ananta 2003: 120). Central Kalimantan was the second largest Hindu province in 2000 and East Java, the third largest. The Buddhist population is the smallest among the official religions (Suryadinata, Arifin, Ananta 2003: 123). The geographical distribution of this group has changed a lot over time. The majority of Buddhists used to live in Java, where in 1971 55 percent of all Buddhists still lived (Suryadinata, Arifin, Ananta 2003: 128). However, by 2000 this figure had dropped to 37 percent. Today North Sumatra and Jakarta are provinces with the largest number of Buddhists, and west Kalimantan is the province with the most rapid increase (14 percent annually) in the Buddhist population (Suryadinata, Arifin, Ananta 2003: 128).

A.5.5.2 Islam

Islam arrived in Southeast Asia and in doing so, Indonesia too in the same way that India's religions did, i.e. via trading (Bellwood 1997: 139; Reid 1993a: 151-152; Johns 2002: 169). Even though at the outset there were no conversion attempts, from the end of the 13th century onwards the first Muslim states had begun to emerge and in the late 16th century the majority of today's Indonesia and the Malaysian peninsula had converted to Islam (Damais 1990: 353-415; Woodward 1989: 53; Reid 1993b: 132). In Malacca, converted Javanese traders and soldiers brought Islam to Java in the 15th century (Villiers 2001: 270). The penetration of Java through Islam took place in very different ways (Headley 2004: 210-212). First, it was disseminated from harbour to harbour, along the coast, and then it penetrated the mainland (Ricklefs 1974: 2; Dale 1980: 27; Johns 2002: 178-180). However, Islam did not extinguish pre-Islamic beliefs, rather the multitudinousness of landscapes of religions increased (For a systematic and original history of Islam in Java, see the excellent work of Headley [2004] "Durga's Mosque - Cosmology, Conversion and Community in Central Javanese Islam").

With the syncretism of new religions with Indian culture, the Javanese proved to be very experienced and thus "wayang" (Geertz 1964: 261-267), "gamelan" (ibid: 278-280) and "keris" were maintained irrespective of whether or not they were in accord with Islamic belief. "Wayang" (shadow play) in particular was passed down to the new apprentices, in order to create a new way of spreading Islam among the people (Johns 2002: 185-186; Headley 2004: 409-413). Even if Islam frowned upon the worship of Javanese deities, "wali" (holy men), they were nonetheless worshipped and their graves became pilgrimage destinations (Taylor 2003: 71). In the majority of Java, the conversion to Islam made very little change necessary to handed down customs and rituals in real terms (Woodward 1989: 1-4). Devout orthodox religion only reached the trading classes and partly the courts. It took until the 19th century for Islam to become a widespread and popular religion (Johns 2002: 178-179; Villiers 2001: 272). In Java in particular, a substantial number of Muslims follow a non-orthodox, Hindu-influenced form of Islam known as "abangan" (Geertz 1964: 309-338), while across the archipelago the Hindu legacy, along with the older mystic traditions, influence popular beliefs (Geertz 1964: 121-130, 227-260). Woodward (1989: 17) remarks in this respect:

> *"Java is exceptional in the Islamic world not because it has retained pre-Islamic ideas but because of the indigenous and artful ways in which such a large body of Hindu and Buddhist tradition has been so thoroughly islamisized." (Woodward 1989: 17)*

To a significant degree, the striking variations in the practice and interpretation of Islam (in a much less austere form than that practiced in the Middle East) reflect its complex history (Federspiel 2001: 5). As a result, many Indonesian "Muslims" are non-practicing, follow Indonesia's indigenous (animist) traditions (a fact that the government vehemently denies), or are entirely secular. Introduced piecemeal by various traders and wandering mystics from India, Islam probably came to these regions in the form of mystical Sufi tradition. Sufism easily gained local acceptance and became synthesized with local customs. Unlike coastal Sumatra, where Islam was adopted by the elite and masses alike, partly as a way to counter the economic and political power of the Hindu-Buddhist kingdoms, in the interior of Java the elite only gradually accepted Islam, and then only as a formal legal and religious context for Javanese spiritual culture (Geertz 1964: 121-139, 215-225, 227-260, 309-338). These historical processes gave rise to enduring tensions between orthodox Muslims and more syncretistic, locally based religions (tensions that are still visible today). On Java, for instance, this tension is expressed in a contrast between the traditionalist "santri" and "abangan", an indigenous blend of native and Hindu-Buddhist beliefs with Islamic practices sometimes also called "Javanism", "kejawen", "agama Jawa", or "kebatinan" (Schumann 1999: 440). On Java "santri" is not only referred to a person who is consciously and exclusively Muslim, but also describes persons who remove themselves from the secular world to concentrate on devotional activities in Islamic schools called "pesantren", literally the place of the "santri". In contrast to the Mecca-oriented philosophy of most "santri", the current of "kebatinan", which is an amalgam of indigenous, Hindu-Buddhist, and Islamic (especially Sufi) beliefs can be found. This loosely organized current of thought and practice, was legitimized in the 1945 constitution and, in 1973, when it was recognized as one of the "agama" (religions). President Soeharto counted himself as one of its adherents. "Kebatinan" is generally characterized as mystical, and some varieties are concerned with spiritual self-control. Although there are many varieties circulating, "kebatinan" often implies pantheistic worship because it encourages sacrifices and devotions to local and ancestral spirits (Headley 2004: 255-258). These spirits are believed to inhabit natural objects, human beings, artefacts, and gravesites of important "wali" (Muslim saints). Illness and other misfortunes are traced to such spirits, and if sacrifices or pilgrimages fail to placate angry deities, the advice of a "dukun" or healer is sought.

Another important tension dividing Indonesian Muslims is the conflict between traditionalism and modernism (Barton 2001: 244-255). The nature of these differences is complex, confusing, and a matter of considerable debate, but traditionalists generally reject the modernists' interest in absorbing educational and organizational principles from the West. Specifically, traditionalists are suspicious of modernists' support of the urban “madrasa”, a reformist school that included the teaching of secular topics. The modernists' goal of taking Islam out of the “pesantren” and taking it to the people is opposed by the traditionalists because it threatens to undermine the authority of the “kyai” (religious leaders). Traditionalists also try, unsuccessfully, to add a clause to the first tenet of the Pancasila state ideology requiring that, in effect, all Muslims adhere to the “sharia”. On the other hand, modernists accuse traditionalists of escapist unrealism in the face of change; some even hint that “santri” harbours greater loyalty towards the “ummah” (congregation of believers) of Islam than to the secular Indonesian state.

Most Muslims in Indonesia are Sunni, although some follow other branches of Islam, including the Shiite, who number approximately 100,000 nationwide. One can say that the deepening of Islam in Indonesia might be regarded as still taking place, deepening with each succeeding generation. In following this viewpoint it can be asserted that over the past four hundred years Muslims in the region slowly altered their perceptions of Islam, since the heterodox religious trends of the early period have slowed momentum, and more standard Sunni Islamic practices and patterns have slowly gained in importance (Federspiel 2001: 5). In general, the mainstream Muslim community belongs to two of the above-explained orientations: the "modernists," who closely adhere to scriptural orthodox theology while embracing modern learning and modern concepts; and predominantly Javanese "traditionalists," who are often followers of charismatic religious scholars and organized around Islamic boarding schools.

Despite its overwhelming Muslim majority, the country is not an Islamic state. Over the past 50 years, many Islamic groups have sought sporadically to establish an Islamic state, but the country's mainstream Muslim community, including influential social organizations such as Muhammadiyah (on the Muhammadiyah, see for example: Johns 2002: 175-177) and Nahdatul Ulama (NU), reject the idea. Proponents of an Islamic state argued unsuccessfully in 1945 and throughout the parliamentary democracy period of the 1950s for the inclusion of language (the "Jakarta Charter") in the Constitution's preamble making it obligatory for Muslims to follow sharia. During the Soeharto regime, the Government prohibited all advocacy of an Islamic state. With the loosening of restrictions on freedom of speech and religion that followed the fall of Soeharto in 1998, proponents of the "Jakarta Charter" resumed advocacy efforts. The re-Islamization of Indonesia, evident since the beginning of the 1990’s, will be further elaborated on in Part D of this work (for example, see also: Hefner 2000: 128-166). Proposals to amend the constitution to include sharia were however rejected (for example see: Salim and

Azra [2003]: 1-16; Azra 2004: 133-149; Hooker 2003: 33-47; Hooker 2004: 199-220; Mawardi 2003: 125-147). As indicated, Islam is the dominant religion in Indonesia with more than 177 million followers (Suryadinata, Arifin and Ananta 2003: 106). The concentration of Muslims in each province ranges widely from over 97 percent to less than 10 percent in 2000. The highest concentration of Muslims was found in Gorontalo (98 percent) and the lowest, in East Nusa Tenggara (8 percent). There are 15 provinces in Indonesia with a concentration of the Muslim population of more than 90 percent. The five biggest are West Java, Central Java, Yogyakarta, East Java and Banten. Particularly, West Kalimantan, Central Kalimantan and East Kalimantan have seen increases of more than 10 percent in Muslim population between 1971 and 2000 (Suryadinata, Arifin, Ananta 2003: 112).

A.5.5.3 Christian religions

From the 16th century on, the Christian faith reached the region first as Catholicism and then as Protestantism. This often occurred in connection with economic and political expansion of western powers (Wendt 1999: 454; Reid 1993: 132-133). A typical characteristic of the Southeast Asian population, and with it, of Indonesia's population, is to integrate and assimilate foreign cultural elements into the tapestry of its own traditions (Bellwood 1997: 5). This characteristic did not stop at Christianity either and gave Christianity its own local character over time. The Catholics on the Indonesian archipelago proselytized by the Portuguese were converted to Protestantism by the "Vereenigde Oostindische Compagnie" (VOC - United East India Company) and a protestant community formed in Batavia. However, the Dutch traders were disinterested in the actual mission (Wendt 1999: 462). Only in the 19th century were protestant missionaries able to spread Christianity on a larger scale. Christianity was spread mostly among the minorities, for example, the Batak in central Sumatra, where Christianity continues to be strongly rooted today (Suryadinata, Arifin, Ananta 2003: 114). The highest concentration of Christians in 2000 (87 percent) is found in East Nusa Tenggara, followed by Papua (75 percent) and North Sulawesi (69 percent).

A.5.6 Social consequence of ethnic and religious pluralism in Indonesia

Without wanting to go into depth on stratum or class differences in Indonesian society, with the illustration of its ethnic, linguistic and religious composite, a portrait of Indonesian society can be painted which demonstrates readily perceptible and potentially unstable dividing lines. The ethnic heterogeneity of the Indonesian population and the population's irregular profile concerning employment structure and wealth distribution, which, in contrast to Malaysia, was less influenced by colonial economic and immigration policies, is still apparent. Furnivall (1939: 446) describes the Indonesian conglomerate society as a "plural society". Cribb and Brown (1995: 65) consider Furnivall's study to be a "classic study of colonial Indonesia", and to date it has not lost any of its relevance. Furnivall (1939: 446) defines a plural society as follows: “a plural society; [is] a society, that is, comprising two or more elements or social orders which live side by side, yet without mingling, in one political unit”. Furnivall (1945: 167-168) continues:

> *“It is this plural society that I suggest is characteristic of the modern tropics. One finds there a society in which two or more groups live side by side but separately within the same political unit. All the members of all the groups are subject alike to the economic process of natural selection by the survival of the cheapest, and all respond in greater or less degree to the economic motive, the desire for individual material advantage. But that is all they have in common. Each group holds by its own religion, its own culture and its own ideas and ways of life; the members of each group mix with those of other groups only in the market place, in buying and selling.” (Furnivall 1945: 167-168)*

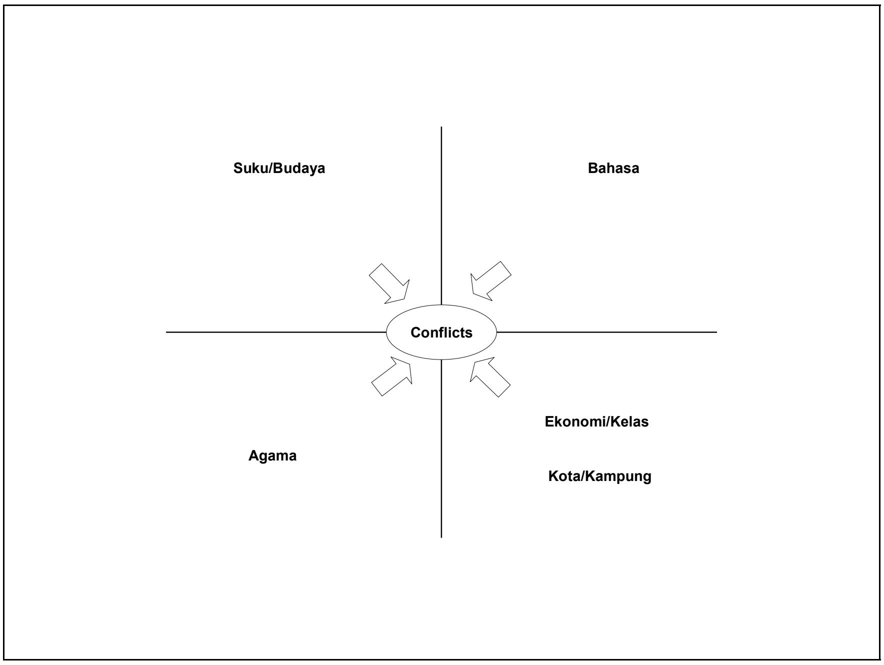
According to this, Furnivall considers certain Southeast Asian societies *in genere* to be less homogenous than their western counterparts since several ethnic groups coexist there in one country but inter-ethnic connections are only ascertainable to a limited extent. In a post-war article, Furnivall asserted that “in the plural society of Southeast Asia the racial groups (European, Indian, Chinese and Native) inherit different traditions; they differ in religious profession, in literature, music, art and way of life” (Furnivall 1946: 124). Furnivall’s authority as a historian of Southeast Asia, and specifically of colonial Indonesia, was and still is given great deference. However, Furnivall’s concept of “plural society” has had a mixed reception in scholarly circles. Some have applied it (and in some cases extended its application) to other parts of the world (Smith 1965; Kuper and Smith 1969; Kuper 1974). Others have found the concept useful but prefer to speak of a “segmented society” or “segmentation” (Hoetink 1967; Nicholls 1974). The concept has evoked a wide range of criticism, in particular criticism of the claims made by Furnivall and his followers, which may conveniently be consulted (Rex 1959; Rubin 1960; Muijzenberg 1965; Hollander et al. 1966; Kupper and Smith 1969; Rex 1970; Cross 1971).[27] The only scholars to question Furnivall’s characterization of Netherlands’ India as a “plural society” were the Dutch (Wertheim 1964; Muijzenberg 1965 and 1966; Wertheim 1968; Doorn 1983). In a contribution to the “International Encyclopaedia of the Social Sciences”, Wertheim (1968: 433) criticized Furnivall’s use of the concept of “plural society” in the Indonesian context. He refuted Furnivall’s denial of social and cultural contacts among the different racial groups by pointing to a “creolization process” in the colony, so that “in many cases the offspring of the immigrant groups (Europeans and Chinese) even adopted the native language” (ibid: 433). Despite the phenomenon of the highly acculturated peranakan Chinese of Java, who were living disproof of Furnivall’s assertion that the Chinese group held by “its own religion, its own culture and language, its own ideas and ways” (Furnivall 1948: 304), is still relevant as a model with insight into Indonesian society, even if under partly changed conditions. The present work re-examines Furnivall’s

[27] The “plural society” of Furnivall and those who have followed him should be distinguished from other social science concepts of pluralism. The distinctions are usefully discussed by Nicholls (1974).

characterization of Indonesia as a “plural society” paying particular attention to effects on consumer behaviour and marketing which need to take these sharp lines between different population groups into account. The intra-societal difficulty previously pointed out, i.e. the schism, will be presented in the author’s version of a schematic representation.

Heidhues’ (1974: 18) idea of a simplified model based on the pyramid model, has deliberately been avoided, as this idea counteracts Furnivall’s model and statements, since Heidhues equates class with ethnicity (“class synonymous with race“), a fact that does not reflect today’s Indonesian social realities. According to Heidhues, Furnivall’s plural society model can be “simplified” to look like a pyramid consisting of three layers: Her “simplification” discovers a hierarchy among the races in Furnivall’s writing which others, including Wertheim, have criticized him for neglecting, but which do not, at least today, exist. The figure below shows the author’s representation to demonstrate the intra-societal complexities (intra-gesellschaftliche Problemlagen). The segregational fields are depicted in the four squares, while determining, invariable problems are shown in bold face. Ethnic group belonging (suku) is of paramount importance. It determines mostly religious pertaining (agama), language (bahasa), and to an extent class division (kelas), whereas economic disparities are less ethnically determined than, for example, in Malaysia.

Figure A-2 Intra-societal complexities (“intra-gesellschaftliche Problemlagen“) – SABE-Model28



[28] SABE (neologism): Acronym for Suku (ethnic group), Agama (religion), Bahasa (language), Ekonomi (social strata). In figure: Budaya (culture), Kota (city, urban areas), Kampung (rural areas).

The disadvantage of Furnivall's concept, i.e. its static means of observation, is overcome in the model depicted above, by virtue of the fact that within one ethnic group there can be divisions from economic viewpoints, for example, between different social strata. These observations lead to the division of the population into certain target groups (for example for sales approach) being more complicated than in very ethnically homogenous countries, or in countries where there are a number of minorities geared to the leading culture (as is the case in the USA) and where assimilation of the dominant culture is only a question of time. Religious and ethnic resentment along with differences between urban and rural life spaces, continue to be precarious and have deteriorated with the fall of the Soeharto's regime, which ruled by suppression and stigmatization of ethnic conflicts. The characterization of Indonesian society as plural is still evident today and even more so the more cultural freedom comes with democratization processes. Today, the cultural divisions seem to be rather enforced (although Indonesia went through decades of strong assimilation policies). Therefore overcoming these intra-societal complexities is scarcely imaginable in the foreseeable future, and therefore must be taken into consideration in marketing strategies.

Consequentially, marketing and sales managers must generate a strategy for how a highly heterogeneous market, in this case Indonesia, is to be penetrated. In times of re-emergence of religious and cultural values and searches for identity, advertising and sales messages need to encounter different ethnicities. The case-study (Part D) will present in depth a strategy from the point of view of an ethnic specific marketing strategy.

A.5.7 History

Indonesia has seen unprecedented turmoil in recent years, facing first the Asian financial crisis, then the fall of President Soeharto after 32 years in office (Wanandi 2003: 17-27), the first free elections since the 1960s (Ellis 2003: 53-72; Mietzner 2000: 39-57), the loss of East Timor (Lowry 2000: 91-108), independence demands from restive provinces (Nursalim 2003: 100-120), and bloody inter-ethnic and religious conflict. The financial crisis of 1997-98f (krisis moneter – "krismon"), developed into a multi-dimensional crisis (krisis total – "kristal"), which further exacerbated the economic situation (Manning and van Diermen 2000: 1-14). Additionally, Indonesia was the target of terrorist organizations (Jones 2004: 23-38) and was afflicted by a devastating tsunami disaster.

A.5.7.1 Pre-Colonial Times

As stated beforehand, the Indonesian archipelago stretches for more than 3,000 miles east to west and is the largest island complex in the world (BPS 2004: 3-4). The sea surrounding Indonesia has inevitably influenced Indonesian history (Ptak 1998: 21-38; Furnivall 1944: 20-53; Ptak 1999: 89-106; Bellwood

1997: 137; Hall 1985: 26-47, 232-260; Reid 1993: 1-19; Chaudhuri 1985: 9-33; Reid 1996: 15-50; Ray 1994: 48-86; Tuck 1998: 144-336; Chauduri 1965: 3-18; Coedès 1968: 19-21; Boxer 1985: VI 3-17; Bulbeck et al. 1998: 17-178; Kearney 2004: 1-10, 57-76; Rony and Wiarda 1977: 36-44; Arasaratnam 1995: III, 42-53, IV 480-490; Wheeler 1965: 122-175; Villiers 2001: 15-16). Monsoon winds blowing north and south of the equator have facilitated communication and commerce within the archipelago and with the rest of maritime Asia (Parnwell 1999: 29). Reid (1993: 1) notes: “Commerce has always been vital to Southeast Asia.” Easy overseas communication did not, however, result in the formation of territorially large kingdoms (Hall 1985: 78-102). The many estuaries of Sumatra and Borneo, facing the inland seas, possessed an abundance of nutritious seafood that facilitated a settled mode of life, and the contacts between the people of one estuary and their neighbours were more important to them than those they could make with overseas lands (Coedès 1967: 1-33). Indonesian maritime history is the story of the efforts of local groups, endowed with more or less comparable resources, to protect their separate identities. Records of foreign trade, however, begin only in the early centuries AD. A study of the Roman historian Pliny the Elder’s “Natural History” suggests that, in the 1st century AD, Indonesian outriggers were engaged in trade with the east coast of Africa (Indonesian settlements may have existed at that time in Madagascar, an island with distinctively Indonesian cultural traits) (Höllmann 1999: 34). Regular voyages between Indonesia and China did not begin before the 5th century AD (Villiers 1999: 89-97; Villiers 2001: 78-82). Chinese literature in the 5th and 6th centuries refers to western Indonesian tree produce (Taylor 2003: 23). During this time, small estuary kingdoms were beginning to prosper as international entrepôts (Andaya and Andaya 1982: 20-31; Hall 1968: 41-64; Hall 1985: 78-102; Wolters 1967). Under the influences of Hinduism and Buddhism, several kingdoms formed on the islands of Sumatra and Java from the 7th until the 14th century. During this time economic growth created by trade affected the regions of both the Malaccan Strait and the Java Sea (Houben 2002: 37-39)

The cultural effects of these commercial exchanges, usually described as “Hinduization”, or “Indianization” have been discussed for many years (Coedès 1967: 50-70; Marr and Milner 1986: 3-22; Mabbet 1977: 1-13, 143-161). It is now held that Hinduism was brought to Indonesia not only by traders, but also by Brahmans, who attempted to accustom the population to feudal structures by means of clever tactics, i.e. through shadow plays (“wayang“) in Java recounting Indian epics (with their multitude of queens and princesses), and besides, saw that their rulers were worshipped like gods in their palaces which were to represent the “centre of the universe” (Dahm 2002: 1; Headley 2004: 10-18). Sanskrit inscriptions, attributed to the 5th and 6th centuries, have been found in Kalimantan, a considerable distance form the international trade route and also in western Java (Villiers 2001: 94). They reveal that Indian literati, or their Indonesian disciples, were honoured in some royal courts (Taylor 2003: 27-59). The rulers were prominent “rakas”, heads of groups of villages in areas where irrigation and other needs had brought inter-village relationships and supra-village authority into being, and inscriptions indicate that some rulers were seeking to extend their influence (Kulke 1990: 172; Hall 1985: 111). Eastern Javanese inscriptions throw little light on happenings before the 10th century, but the evidence from south-central Java, and especially the Kedu Plain in the 8th and 9th centuries, is more abundant (Villiers 2001: 46-63). This period in central Java is associated with the Sailendra princes who were of Indonesian origin and not, as once suspected, from mainland Southeast Asia (Taylor 2003: 36-39). The last indianized kingdom in eastern Java was Majapahit which ruled much of the southern Malay Peninsula, Borneo, Sumatra, Bali, and the Philippines from about 1293 to around 1500 (Hall 1985: 232-260; Hall 1968: 79-93; Steinberg 1987: 83-90). Its greatest ruler was “Hayam Wuruk”, whose reign from 1350 to 1389 marked the empire's peak (Villers 2001: 112). Dates for the end of the Majapahit Empire range from 1478 to 1520 when Majapahit found itself unable to control the rising power of the Sultanate of Malacca (Villiers 2001: 265). Due to the unification of power and territorial supremacy over vast areas of the Indonesian archipelago, Indonesian nationalists of the 1920s and 1930s made use of the historical memory of the Majapahit Empire as evidence that the peoples of the archipelago had once been united under a single government, and so could be again, in modern Indonesia (Case 2002: 210).

The fall of the Majapahit empire was linked to the Islamization of today’s Indonesia, since the fall of Sumatra’s harbours and the rapid rise of Malacca during the 15th century had important repercussions not only for the spread of Islam but also for the entire equilibrium of powers in Southeast Asia (Ricklefs 1993: 3-13; Schumann 1999: 434-440; see also Pigeaud 1976). Foreign Muslims had traded in Indonesia and China for many centuries and a Muslim tombstone in eastern Java bears a date corresponding to 1082 (Villiers 2001: 258-262). But substantial evidence of Islam in Indonesia begins only in northern Sumatra at the end of the 13th century (Villiers 2001: 270-273). By the 13th century, in the absence of a strong and stable entrepôt in western Indonesia, foreign traders were drawn to harbours on the northern Sumatran shores. The establishment of the first Muslim centres in Indonesia was probably due to commercial circumstances. It was obvious that the coastal states of northern Sumatra and the Malaysian peninsula were the first to be submitted to Islamic influence, since one of the most significant trading routes in Southeast Asian ran through the Strait of Malacca (Villiers 2001: 260). By the 15th century the beachheads of Islam in Indonesia had multiplied with the emergence of several harbour kingdoms (ruled by local Muslim princes) and by 1526, the majority of Javanese rulers had converted to Islam (Villiers 2001: 282). The rise of Muslim Malacca led to the previously mentioned changes in Java (Villiers 2001: 265-270), as well as to the fall of Malacca to the Portuguese in 1511, often taken as a turning point in Indonesian history.

A.5.7.2 Colonial times

Over the next century Portuguese efforts were to be directed to securing control of the trade in the Spice Islands (Taylor 2003: 131-132). The Portuguese conquests were accompanied everywhere by missionary work, but this had limited success not only because of Portuguese brutality to the indigenous people (Villiers 2001: 276-280). After almost a century of Portuguese dominance, the Dutch conquered as colonial rulers. In 1602 the Dutch East India Company (Vereenigde Oostindische Compagnie [VOC]) received its charter and began to establish its own commercial monopoly (liquidated in 1799) (van Goor 1999: 149-155; Taylor 2003: 149). The company, the first multinational company so to speak, laid the foundation of the Dutch commercial empire and became the paramount power of the archipelago (on the history of the VOC, see for example: Beelen [2002]). The gradual commercial expansion of European powers from the 15th to the 18th century is generally called an "Age of Commerce" (Reid 1990, 1993, 1995, 2000). The Dutch did not arrive with religious demands for conversion or in order to expand their territory: they were first and foremost interested in trade (Villiers 2001: 285-288). They became, however, involved in inner Javanese conflicts from which they emerged triumphant (van Goor 1999: 153, 155, 158).

Netherlands' India was one of the first Dutch colonies and with the help of its raw materials, the colonial power became affluent. Batavia (founded on the ruins of Jayakarta in 1619), what is known today as Jakarta, quickly became a powerful metropolis (van Goor 1999: 153). In 1830 the Dutch government revised its colonial policy thoroughly, in which they introduced among other things, the "cultivation system" ("cultuurstelsel"), which was to make Java a profitable colony (Dahm 1999: 173-174; Steinberg 1987: 156-158). This system was based on the demand that the whole country was to be considered property of the colonial ruler, and farmers in return for using the land, had to use a fifth of the land for the cultivation of produce deemed suitable for export by the government (Steinberg 1987: 157). The results of this system were different, and it even led to famine and social stagnation, which led to the abolition of the system in 1870 (van Goor 1999: 159-160). From 1908 onwards, the Netherlands extended their realm of power from Java to the whole Indonesian archipelago. Only the province Aceh in the north of Sumatra, managed to resist, but was eventually conquered, too, after a 30-year war (Dahm 1999: 168; van Goor 1999: 159). The Dutch gradually consolidated their hold on the area over two centuries, eventually uniting the archipelago in around 1900 (Steinberg 1987: 292-311). The territorial extent of the Republic of Indonesia is today defined principally by the boundaries of the former Dutch colonial empire in Southeast Asia. The territories now comprising the country had never constituted a single political entity before the establishment of Dutch colonial rule, and their pre-colonial history was marked by the rise and fall of a number of important empires and kingdoms (Taylor 2003: 1-4).

A.5.7.3 On the way to independence

It was only in the 19th century, that Indonesian societies which had experienced considerable pressure from Europeans were submerged by Western influences (Dahm 1999: 173; van Goor 1999: 165). Colonial developments led to changes in Indonesian society. The growing cities became the home of a new urban way of life and stimulated social change (Steinberg 1987: 301-302). A new elite emerged under the influence of the expanding Western impact. So did a new class of unskilled and semiskilled workers who found employment as domestic servants or as labourers in the light industries that began to develop. These transformations led to the growth of a confident indigenous middle class, which was unwilling to stand for any sign of racist discrimination or inequality from a foreign ruler (Steinberg 1987: 301-302). The beginning of the protest is signalized by two movements which have to be described as proto-nationalistic. On the one hand, the "ratu-adil"-movements (the population hoped for the appearance of a messianic "ratu adil" [fair ruler] who would restore the golden age promised in the Indian concept of the cyclical nature of life). On the other hand, there were the "tarekat" (Islamic brotherhoods), initiatives serving Islamic interests (Dahm 1999: 174-175). This Indonesian nationalism in the 20th century must also be distinguished from earlier movements of protests: the "Padri War", the "Java War", and the many smaller examples of sporadic agrarian unrest had been pre-nationalistic movements, the products of local grievances. By contrast, the nationalism of the early 20th century was the product of the new imperialism and was part of wider currents of unrest affecting many parts of Africa and Asia (Dahm 1999: 168-202). In Indonesia nationalism was concerned not merely with resistance to Dutch rule but with new perceptions of nationhood, embracing ethnic diversity of the archipelago and looking to the restructuring of traditional patterns of authority in order to enable the creation of Indonesia as a modern state (Vickers 2005: 73-79). By the end of World War I, there were thus a variety of organizations in existence. One of those organizations was the "General Study Club", founded in 1926 in Bandung, with Sukarno, the later first president of Indonesia as its secretary. He established the "Partai Nasional Indonesia" (PNI) (National Party of Indonesia) in 1927 (Dahm 1999: 184) and made an effort to create a national movement. Upon the end of Japan's wartime occupation, independence was proclaimed by Sukarno in 1945. The Dutch formally transferred sovereignty in 1949, after a period of armed struggle (Dahm 1999: 229).

A.5.7.4 Sukarno

Criticizing Western liberal democracy as unsuited to Indonesian circumstances, Sukarno (a standard work on Sukarno is: Dahm [1966]) called for a political system of "democracy with guidance" based on indigenous procedures (Vickers 2005: 144-150). Wessel (2005: 8) reflects on the social repercussions of this decision as follows: "The establishment of Guided Democracy destroyed any remaining hopes of democratic development …" The Indonesian way of deciding important questions by way of deliberation ("musyawarah") designed to achieve a consensus ("mufakat") was the procedure at the village level and became the model for the nation, which was tantamount to an integrative state philosophy (Dahm 1999: 231), as was the state philosophy identified by the five pillars of “Pancasila”. In it, each citizen is recognized as having the following rights: (1) monotheism, (2) belief in national unity, (3) principle of humanity, (4) democracy, and (5) social justice (Vickers 2005: 117). Javanese deep-rooted striving for harmony is apparent in the five principles of “Pancasila” (Dahm 1999: 231). Sukarno’s policy was renowned for its chaos and betrayal, and neither the party-based parliamentary system prior to 1959 nor the era of “guided democracy” managed to bring stability to the country (Vickers 2005: 133-138). The increasing randomness of Sukarno’s regime triggered an ostensibly communist attempted coup d’état. This attempted coup failed because of a counter-attack by the army in the course of which, between 100,000 and one million people were killed, especially actual or supposed adherents of Indonesia’s communist party, “Partai Komunis Indonesia“ (PKI) and Chinese (see for example: Leven and Roberts [1999]). This is considered to be one of recent history’s largest politically motivated genocides (a standard work on this catastrophic aftermath is: Cribb [1990]). The causes have been unsatisfactorily researched to date, and as a consequence, it is not possible to establish the exact death toll. In 1996, Sukarno was forced to hand over power to Soeharto, a member of the military.

A.5.7.5 Soeharto

Soeharto’s initial success was partly based on people’s expectations, which had remained unfulfilled by Sukarno’s policies. Soeharto (on Soeharto, see for example: Vatikiotis 1993: 1-31) was elected for six further five-year terms, and, supported by the military, imposed a repressive regime (Vickers 2005: 197-209). There was no freedom of the press or of expression (Vatikiotis 1998: 107-108). A small number of Soeharto’s family and friends amassed vast wealth, primarily through the exploitation of Indonesia’s abundant natural resources (Vatikiotis 1998: 50-52). He imposed authoritarian rule while allowing technocrats to run the economy with considerable success (Case 2002: 36-38). Soeharto’s social and political system’s slogan was “Economics first, politics later“. The period was nevertheless characterized by rapid economic expansion, particularly after 1970, and this probably helped to legitimize the regime in the eyes of the people (Vatikiotis 1998: 32-59). Achieving a democracy, as established in the constitution, was relegated to second place. Furthermore the military (ABRI) attained an important position in parliament while the position of the parties was severely limited. Soeharto’s policy of allowing army involvement in all levels of government down to village level fostered corruption. His “transmigration” programs (which moved large number of landless farmers from Java to other parts of the country) fanned ethnic conflicts. In the middle of the 1980s, all social organizations and political parties (Law on Mass Organizations) had to recognize the “Pancasila” as ”asas tungaal”, as their only principle. This led to a neutralization of political parties and to a de-politization of society.

From a structural viewpoint, the economic policy under Soeharto led to increasing prosperity and economic progress, which in turn led to intense urbanization, especially in Java (in 1990 a third of the population lived in the cities) (Spreitzhofer 2003: 52). The extension of bureaucracy and increase in power of the state was associated by the population with the increasing prosperity created by the state. During the time of "Orde Baru" (New Order), Javanese culture with its paternalism and its hierarchical social structures were useful tools to obviate demands for democracy and human rights (Vickers 2005: 183). Bureaucrats' attitude to the people was often described as neo-feudal. The New Order was also accused of social intransigence, i.e. Javanese cultural elements such as the patron-client-ties, dominated (Vatikiotis 1998: 111-112). Nonetheless as early as the end of the 1980s, social division was evident in society; this could be traced back to enormous differences between members of society. It led to initial protests which were increasingly silently tolerated by the military from the 1980s onwards. This demanded political change especially after Soeharto's fifth re-election in 1988. Even individuals within the political system like Murdiono demanded that de-regulation of the economy have its counterpart in politics. With this, Murdiono supported the idea that increasing complexity in economy required political de-centralization (Vatikiotis 1998: 115).

Prudent economic management enabled Indonesia to record consistently high rates of economic growth (well in excess of the expansion of the population) for more than two decades (Wie 2002: 203-215; Wie 2001: 163-169). This growth, which averaged more than six percent a year between 1970 and 1996, was achieved despite a number of external shocks, including sharp movements in oil prices and in international exchange rates, which affected the terms of trade and the value of the country's external debt. From a low-income country in the mid-1960s, Indonesia transformed itself into a middle-income country, with an estimated income per head of almost US$1,150 in 1996 (Bird 2001: 45-66). A breakdown of the economy's growth performance by sector shows that industry was the principal engine of growth (Hall 2000: 155-174; Wie 2002: 199, Figure 7.1). Manufacturing expanded more rapidly than the economy as a whole (Wie 2002: 199, Figure 7.1). The need to ensure matching growth in infrastructure stimulated a sharp acceleration in the rate of growth of the utility and construction sectors. The electricity, gas and water component of GDP expanded by an average of around 14 percent a year between 1986 and 1996, while the construction sector expanded by more than ten percent in the same period (van der Eng 2001: 181-199; Strauss, Beegle, Dwiyanto, Herawati, Pattinasarany, Satriwan, Sikoki, Sukamdi and Witoelar 2004: 1-5). Social change accelerated under the New Order (Cribb 2001: 231-233; Gerke 2000: 135-158; Robison 1996: 79-104; Heryanto 1999: 159-187; Antlöv 1999: 188-207). Along with the decline in the position of traditional aristocracies went the growth of a new bureaucracy, the rise of the army both in politics, administration and in commercial activity, the establishment of Indonesian business calls, and the presence of Chinese business interests, the latter sometimes in association with civilian or military indigenous Indonesian entrepreneurs (Hall 2000: 95-98). These developments suggested that a new (albeit extremely diverse) middle class was emerging, defined in part by economic function, by access to political power, and by a lifestyle of conspicuous consumption (Gerke 1999: 135-158; Robison 1996: 79-104; Heryanto 1999: 159-187; Antlöv 1999: 188-207).

Opposition to the regime started to become more vocal in the mid-1990s (the parliamentary election campaign in May 1997 was exceptionally violent) and was given added momentum by the severe economic crisis that gripped Indonesia in late 1997 (Sadli 1999: 16-27). Soeharto fell from power after widespread rioting in 1998 and has so far escaped efforts to bring him to justice for decades of dictatorship (see for example: Forrester and May 1998: 1-23; Manning and van Diermen 2000: 1-14; Budiman 1999: 41-58; Aspinall 1999: 212-238).

A.5.7.6 Post-Soeharto Indonesia

After Soeharto's resignation in May 1998, Habibie, whose hold on power was never secure (Crouch 1999: 127-148), became president. One of his few notable achievements was the holding of a democratic election, Indonesia's first for 34 years (Masters 1999: 9-14; Mietzner 2000: 39-57). Despite the numerical strength of the Indonesian Democratic Party-Struggle (PDI-P), the People's Consultative Assembly (MPR) appointed Abdurrahman Wahid, a moderate Muslim cleric and leader to the National Awakening Party (PKB), as president. Mr Wahid was formally impeached by the MPR on the grounds of incompetence and Ms Megawati[29], his vice-president, became president in 2001 (Wessel 2005: 13). Following the near-chaotic presidency of Mr Wahid, a general consensus emerged among all political parties on the need to restore stability. In 2004 the first direct elections for the president and vice-president took place (Wessel 2005: 15-16). The second round of the elections resulted in a landslide victory for Susilo Bambang Yudhoyono[30]. He pledged to prioritise job creation and fighting corruption.

The political change eventually should create a fairer and more predictable investment environment. Newly established independent auditors and, eventually, greater central bank independence should make policy implementation and governance more efficient (Gunningham, speech, March 2004)[31]. Also, a more active civil society gradually should increase government and other stakeholder accountability

[29] Megawati Soekarnoputri is the daughter of Soekarno, the first president of Indonesia, and has been active in politics since 1987. She assumed leadership of the Indonesian Democratic Party (PDI) in December 1993. Her party won the 1999 parliamentary election, but she was outmanoeuvred in the October presidential election and forced to accept the vice-presidency. However, in July 2001 she assumed the presidency following the impeachment of Mr Wahid. She lost the 2004 elections largely because of the perception that she had failed in her pledge to rid the country of corruption, cronyism and nepotism (commonly referred to as KKN).
[30] Mr Yudhoyono was born in East Java in 1949. He rose to the rank of lieutenant-general and was the army chief of territorial affairs before being appointed to the cabinet in October 1999 as minister of mines and energy. His political star rose with his appointment to the influential post of co-ordinating minister for political, social and security affairs in 2000. While in office, Mr Yudhoyono won international acclaim for his strong stance against terrorism, and domestically he gained a reputation for honesty.
[31] Conference: "Regulation, Deregulation and Re-regulation in Globalizing Asia", National University of Singapore, The Public Policy Programme, 22nd until 24th March 2004.

(Ramesh, speech, March 2004). Increased regional autonomy (on the topic of regional autonomy, see for example: Aspinall and Fealy 2003: 1-14; Rasyid 2003: 63-71; Antlöv 2003: 72-86; Rohdewohld 2004: 259-274) will decentralize many government responsibilities, in the long term potentially improving economic efficiency and community participation. However, investors face some short term risks during the transition to a new democratic and decentralized political system (Brodjonegoro 2004: 125-140; Nguyen and Richter 2003: 1-16). Opposition to some aspects of the reform program could become more vocal (Basri 2004: 39-60). Some newly empowered bureaucrats and political parties oppose foreign ownership, threatening the sale of corporate and state assets (Bird 2004: 93-107). Bureaucratic, union and regional resistance also hamper the reform and sale of state enterprises. Finally, devolution will affect central government revenue, and could affect the foreign investment environment by complicating transparency and consistency issues (Nasution 2003: 121-148; Redway 2003: 149-165). Indonesia faces growing demands for independence among several provinces (Aspinall and Fealy 2003: 1-14), where secessionists have been encouraged by East Timor's 1999 success in breaking away after a traumatic 25 years of occupation. Militant Islamic groups have flexed their muscles over the past few years. Some have been accused of having links with Osama bin Laden's al-Qaeda organization, including the group blamed for the Bali bombings of 2002 (Jones 2004: 23-38) and 2005.

A.5.8 A short economic history from independence until today

Indonesia has played a modest role in the world economy since independence, and its importance has been considerably less than its size, resources, and geographic position would seem to warrant. The country is a major exporter of crude petroleum and natural gas (BPS 2004: 297-358). In addition, Indonesia is one of the world's main suppliers of rubber and a less-significant producer of a wide range of other commodities, such as coffee, tea, tobacco, copra, spices (cloves and nutmeg), and oil-palm products (BPS 2004: 297-358). Widespread exploration for deposits of oil and other minerals has resulted in a number of large-scale projects that have contributed substantially to general development funds (Dick 2002: 188-189; Hill 2000: 155-174). Although the projects have tended to reinforce the general position of Indonesia as a supplier of raw materials to world markets, the country has also become an important producer of manufactured goods for domestic consumption and export (Leinbach 2004: 3-7).

Indonesia has demonstrated an astonishing economic history and belongs to a group of countries which have taken off rapidly in economic terms (Hill 2000: 3-8; Wie 2002: 198-201; 207-215; Booth 1999: 562; Schwinghammer 1997: 219-222; Strauss, Beegle, Dwiyanto, Herawati, Pattinasarany, Satriawan, Sukamdi and Witoelar 2004: 1-2). Economic growth in these countries ("Asian miracle" versus an "Asian drama" postulated in the 1960s) is undoubtedly one of the few success stories in the developing economy, otherwise renowned for its lack of success (Booth 1999: 562). What is remarkable about the success of these countries is the astronomical acceleration of the economies - never before have there been countries whose economies have developed as quickly as these ones (Worldbank 2001: 1). At the same time as the economic success, international status and confidence on the part of Southeast Asian countries have been boosted enormously (Booth 1999: 562-564).

As early as in the 1950s, Benjamin Higgins (1968: 678), the author of the most influential book on Development Economics at that time, characterized Indonesia as the "chronic dropout". He concluded that "Indonesia must surely be accounted the number one failure among the major underdeveloped countries (Higgins 1968: 678). Economic mismanagement and the subordination of development to political ideals during the first 16 years of independence led to financial chaos and to serious deterioration in the capital stock (Wie 2002: 194-197). With a major change of economic direction after Soeharto assumed power in the mid-1960s, some measure of stability was regained, and the conditions for an orderly policy of rehabilitation and economic development were established (Wie 2002: 203-215). Since the mid-1960s the government has played a crucial role in development, but the private sectors has become more influential (Hill 2000: 19-23). Low pay and poor working conditions in the swollen bureaucracy have fostered corruption that has distorted development and imposed a substantial burden (Wie 2002: 213; Vickers 2005: 136-137; Booth 1999: 580-581). Wie (2002: 213) explains:

> *"The 'KKN' (korupsi, kolusi, nepotisme [corruption, cronyism, nepotism] practices … distorted market incentives by rewarding 'rent-seeking' rather than productive entrepreneurial activities." (Wie 2002: 213)*

Practices such as the preferential treatment of well-connected businessmen led to the explosive growth of large business conglomerates owned and controlled by Soeharto cronies (Chua 2005: 67). In the 1990s, East Asia's emerging market economies registered an impressive growth performance which led people to term it the "Asian miracle" (Booth 1999: 662-564; Hall 2000: 261-262; Wie 2002: 203). Economies like South Korea, Taiwan, Hong Kong, and Singapore (dubbed the "Asian Tigers") and their "tiger cubs" (Malaysia, Thailand, the Philippines and Indonesia) became the world's main manufacturing base for information and communication technology (Wie 2002: 203). The "Asian miracle" growth story was on the one hand driven by the demand from industrial countries to outsource their manufacturing production to lower-cost countries (Booth 1999: 569-570; Hall 2000: 155-179). On the other hand, Asian governments' keenness to create a very favourable environment for foreign investors and a skilled population made it an attractive choice (Trinh 2003: 3). During the 30 years of president Soeharto's "New Order" ("Orde Baru") government, Indonesia's economy grew from a per capita GDP of US$70 to more then US$1,000 by 1996 (Hill 2000: 11-13). Annual real GDP growth averaged nearly seven percent from 1987 until 1997, and most analysts recognized Indonesia as a newly industrializing economy and emerging major market. Manufacturing surpassed agriculture, in terms of percentage of gross domestic product (GDP) in the early 1990s. Indonesia's labour force has nevertheless remained predominantly agricultural (Wie 2002: 220-225). However, high levels of economic growth from 1987-1997 masked a number of structural weaknesses in Indonesia's economy (Wie 2002: 235-237). The legal system was weak, and there was and is no effective way to enforce contracts, collect debts, or sue for bankruptcy (Fitzpatrick 2004: 178-190; Schröder-van Waes and Sidharta 2004: 191-203). Banking practices were very unsophisticated, with collateral-based lending the norm, and widespread violation of prudential regulations (Manning 2004: 234; Hill 2000: 260-263; Arndt and Hill 2000: 1-15; Sadli 2000: 16-27). Non-tariff barriers, rent-seeking by state-owned enterprises, domestic subsidies, barriers to domestic trade, and export restrictions all created economic distortions (Hill 2000: 272-284; McGillivray and Morrissey 1999: 3-26).

A.5.8.1 The Asian Crisis

When confidence in the economic structure of some Asian economies sharply deteriorated, the Rupiah's value plunged in early 1998 (Aspinall, van Klinken, Feith 1999: 1-18; Wie 2002: 235-237). The Asian crisis had begun and Asia fell victim to globalization (see for example: Der Spiegel, 19 Oct 1998: 76-80; Die Welt, 25 Oct 1999: 14; Die Welt, 22 Sep 1999: 21; Financial Times Deutschland, 01 Aug 2002: 26; Financial Times Deutschland, 23 Jun 2000: 34; Frankfurter Allgemeine Zeitung, 15 Dec 1997: 32; Frankfurter Allgemeine Zeitung, 22 Dec 1997: 24).[32] This vulnerability transformed sharp exchange rate depreciation into a major financial crisis by mid 1998 (see for example: Feridhanusetyawan and Anas 2000; Wie 2002: 237-240; Hill 2000: 272-284; Aspinall, van Klinken, Feith 1999: 1-18). The regional financial problems that swept into Indonesia in late 1997 quickly became an economic and political crisis (Aspinall, van Klinken and Feith 1999: 19-40). Indonesia's initial response was to float the Rupiah, raise key domestic interest rates, and tighten fiscal policy (Hill 2000: 272-284).

Speculative attacks on various Asian currencies which were perceived as overvalued were directly responsible for the crisis. The more profound causes were seminal in creating a bubble economy in which negative current accounts and an increasing short term foreign indebtedness deterred investors (Wie 2002: 237-240). These had fuelled up the market euphoria with money diverted from Latin America to

[32] In the meantime, journalistic and scientific publications on the Asia Financial Crisis are unmanageable. A good source on the internet is: hhtp://www.stern.nyu.edu/~nroubini/asia/AsiaHomepage.html. In general Arndt and Hill offer a fantastic resume of the events. Arndt and Hill (1999), Southeast Asia's Economic Crisis. Origins, Lessons and the Way Forward. To be highlighted, too, are: Henderson (1998), Asia Falling: Making Sense of the Asian Currency Crisis and its Aftermath. Ibid. (2000) Asian Dawn. Recovery, Reform and Investing in the New Asia. Kenward, L. R. (2002), From the Trenches – The First Year of the Indonesian Crisis of 1997/98 as Seen from the World Bank's Office in Jakarta. Jakarta, Centre for Strategic and International Studies. Radelet, S. C. Wing, T. W. (2000), "Indonesia: A Troubled Beginning", in: Jeffrey D. Sachs and Klaus Schwab (eds.), The Asian Financial Crisis – Lessons for a Resilient Asia (Cambridge: The MIT Press): 165-184.

Asia after the 1995/95 Mexican crisis (during the first term of 1996 credits worth more than US$34.7 billion poured into the region) (Tagesanzeiger, 06 Jan 1997: 23).

Ten weeks after the impact of the Thai devaluation was beginning to be felt in Indonesia, the government of Indonesia invited the International Monetary Fund (IMF)[33] to help overcome what had become a deep financial and economic crisis in Indonesia (Soeasastro 2003: 165; Wie 2002: 232-233). In October 1997, Indonesia and the (IMF) reached agreement on an economic reform program aimed at macroeconomic stabilization and elimination of some of the country's most damaging economic policies, such as the National Car Program and the clove monopoly, both involving family members of Soeharto (Hill 2000: 120). On 22 January 1998 the Rupiah fell to its historic low of Rp17,000/US$1, following the nomination of Habibie as a vice president candidate by Soeharto's party, Golkar.

By then Soeharto's days were numbered (Aspinall 1998: 130-153). Riots began to break out and demonstrations demanding him to step down were on the rise (see for example: Forrester and May 1998 for the fall of Soeharto and events surrounding the crisis). The announcement on May 4th of a 71 percent increase in fuel prices and a 20 percent increase in electricity prices provoked social unrest. It culminated in two-day rioting (which especially targeted the Chinese minority) that left parts of Jakarta devastated. As efforts to shore up his power were unsuccessful, President Soeharto stepped down on May 21st (Manning and van Diermen 2000: 1-14; Lee 1999: 12-40). The effects of the financial and economic crisis were severe (Ananta 2002: 1-27; Perdana and Gaduh 2003: 209-225). Inflation reached 77 percent in 1998. In 1998, real GDP contracted by an estimated 14.7 percent. The economy bottomed out in mid-1999, and real GDP growth for the year was an anaemic 0.3 percent. The Rupiah, which had been in the Rp2,400/US$1 range in 1997 reached Rp17,000/US$1 at the height of the 1998 violence and returned to the Rp8,000-10,000/US$1 range since then with significant volatility (Sadli 2000: 16-27). Although a severe drought in 1997-1998 forced Indonesia to import record amounts of rice, overall imports dropped precipitously in the early stage of the crisis in response to unfavourable exchange rates, reduced domestic demand and absence of new investment. Although reliable unemployment data is not available, formal sector employment contracted significantly (Nooteboom and Kutanegara 2002: 5-6; Marks 2004: 158). The sharp drop in output following the crisis also damaged corporate balance sheets and affected turnover and profitability. After growing at around seven percent per year in the two decades preceding the crisis, Indonesia's output contracted 15 percent over the year to the June quarter of 1998. Expenditure shrank, with contraction most marked in private investment, as undercapitalized banks virtually ceased credit to corporations. Falling investment and diminishing confidence reduced consumption, further damaging investment and employment prospects. As in most severely affected crisis economies, the

[33] http://www.imf.org/external/ns/search.aspx?NewQuery=Indonesia+%2B+1998&Site+Search.x=0&Site+Search.y=0 (12 August 2005)

lower exchange rate did not immediately benefit exports (Pardede 1999: 3-39). However, activities based on natural resources largely withstood the crisis.[34]

While the social impact of the crisis is expected to continue beyond the crisis, the general indicators suggest that the crisis has brought the social condition back to the situation in the early 1990s (Feridhanusetyawan 1999a: 2-11). While it remains controversial, the level of poverty in 1998 was again comparable to that in 1990 (Feridhanusetyawan 1999b: 41). The 1997 financial crisis interrupted two decades of impressive economic growth, which lifted Indonesia's per capita income from US$310 in 1976 to US$1,144 in 1996 (Department of Foreign Affairs and Trade East Asia Analytical Unit 2000:1). Strong growth also produced major structural changes in the Indonesian economy, and made real gains in raising living standards and reducing poverty. Per capita GDP rose sharply but by 1999 had slipped back 40 percent to US$ 694 due to the 70 percent depreciation of the Rupiah since 1997 and falling GDP in 1998. Purchasing power parity, PPP, estimates of per capita per GDP fell by a smaller but still substantial 24 percent, from I$ 3,700 to I$2,800.[35]

Early assessments on the social impact of the crisis predicted that the improvement in social welfare for the last three decades was washed out during the first year of the crisis in Indonesia (on the social impact of the crisis, see, for example: Feridhanusetyawan 1999; Perdana and Gadu 2003; Breman and Wiradi 2002 present the social impact of the crisis based on anthropological fieldwork in two villages in West Java). The labour market has been remarkably flexible in adjusting the crisis so that the increase in unemployment has been small, supported by high labour turnover and sharp real wage decline (Marks 2004: 158). The flexible labour market also provided a buffer to shrinking output, employment and profits, with the agricultural sector absorbing a large share of workers dismissed from the urban economy. Rural employment growth increased from 0.6 percent before the crisis to 2.3 percent after it. Growth in urban employment slowed down significantly. Many urban workers also moved into the informal sector, where employment grew by around 7 percent during 1997-98, to 65.4 percent of total employment. Real income has declined, but people have maintained their consumption. Despite the generally negative impact of the crisis on employment and consumption, some parts of the community adapted to the crisis (known as "krismon" [krisis moneter]) better than others (Nooteboom and Kutanegara 2002: 3-32). Living standards fell sharply between 1996 and 1998, with the number of people living below the poverty line increasing by around 65 percent, from around 11 to 18 percent of the

[34] In particular, minerals and energy relied less on banking and financing and external creditors, and their costs benefited from the lower exchange rate. In 1997 and early 1998 agriculture suffered from El Nino induced drought, but later recovered.
[35] International dollars (I$) measure average per capita income of a country in terms of its purchasing power in the US economy; that is, in 1999 the average Indonesian received income sufficient to buy US$ 2,800 worth of goods and services at US prices. Because nominal exchange rates do not always reflect international differences in relative prices, PPP rates are used to allow a standard comparison of real price levels between countries and hence allow better comparisons of average income levels between economies.

total population, depending on the survey (Strauss, Beegle, Dwiyanto, Herawati, Pattinasarany, Satriawan, Sikoki, Sukamdi and Witoelar 2004: 1-5, 70-82). However, this was still well below the poverty rate of 40 percent recorded in the 1970s.

After contracting sharply in 1998, Indonesia's economy returned to positive growth in 2000 led by stimulatory macroeconomic policy, a low exchange rate, stable prices, lower interest rates and stronger private consumption (Basri 2004: 39-60).

A.5.8.2 Current situation

Indonesia's post-crisis is marked by drastic change of a multidimensional nature, not only economic change (Basri 2004: 39-60; Basri, speech December 2004, Jakarta [MarkPlus: Indonesia in 2004]). The political, economic and institutional changes Indonesia is facing are monumental in historic terms. Reform is gradual and a result of compromises (Jones 2004: 23-38). Indonesia's economic growth rate is still the lowest among that of the five crisis affected countries[36] and Indonesia has performed poorly compared to other crisis-affected countries. It has still not reached pre-crisis GDP levels (GDP in Rupiah terms in 2002 is still around two percent below that of 1997. In contrast, Korea's GDP is 24 percent above that of 1997), followed by the Philippines (16 percent), Malaysia (eleven percent) and Thailand (five percent). Private consumption played a key role in the recovery of all countries, with Korea and Philippines consumption levels in 2002 being 18 percent above that of 1997. Additionally, and this is an aspect worth mentioning, Indonesia is the only country that became more domestically oriented during the recovery period (Aswicahyono and Maidir 2003: 184). Indonesians seem to be more than unsympathetic to foreign investors and protests against acquisitions and mergers involving foreign companies are *en vogue*. Local companies have successfully accommodated the changes in the business environment, for example with the alterations of product sizes and product packaging reflecting the decreased spending capacity of consumers.

Although, Indonesia has finally achieved macroeconomic stability (seven years after having suffered from unprecedented economic turbulence), there is little evidence that increasing macroeconomic stability and reduced vulnerability is translating into higher growth. Though Indonesia continued to have the advantages of a large labour force, abundant natural resources and modern infrastructure, private investment in new projects largely ceased during the crisis (Bird 2004: 93-107). Despite being the only Asian member of OPEC, Indonesia's fuel production has declined significantly over the years, owing to aging oil fields and lack of investment in new equipment. As a result, despite being an exporter of crude oil, Indonesia is now a net importer of oil and had previously subsidized fuel prices to keep prices low.

[36] Indonesia, Malaysia, Philippines, Thailand, and the Republic of Korea.

Furthermore, although Indonesia has a market-based economy the government still plays a significant role, it owns more than 164 state-owned enterprises and administers prices on several goods, including fuel, rice and electricity (Basri 2004: 39-60). A fact, which besides the monopoly position of some domestic companies and the legal uncertainty of investments, deters foreign investors from channelling funds into the country.

In late 2005 Indonesia faced a "mini-crisis" due to rising oil prices and imports. The currency reached Rp12,000/US$1 before stabilizing. The government was forced to cut its massive fuel subsidies, which were to cost US$14 billion for 2005, in October. This led to a more than doubling in the price of consumer fuels, resulting in double-digit inflation. However, this situation did not lead to social unrest as it was expected. As of early 2006, Indonesia's economic outlook is more positive. Economic growth accelerated to 5.1 percent in 2004 and reached 5.6 percent in 2005 and real per capita income has reached pre-crisis levels. Growth is driven primarily by domestic consumption, which accounts for roughly three-fourths of Indonesia's gross domestic product and the Jakarta Stock Exchange (JSX) was one of the best performing market in Southeast Asia in 2004, up some 42 percent. Problems that continue to put a drag on growth include low foreign investment levels, bureaucratic red tape, and widespread corruption (Fritzen, speech, March 2004; Westcott, speech, March 2004).[37]

Future growth can be expected in several key areas in Indonesia. Due to growing demand for automobiles domestically and interest of manufacturers to use Indonesia as a hub for car production and export, Indonesia is being rediscovered (DM, interview December 2004). Growing expectations of the Indonesian consumer beyond the Toyota Kijang Models has led car companies to adapt to demands.[38] According to the Association of Motor vehicles Importers (AIKI) more than 7,500 vehicles were imported in Q1 (first quarter) of 2004, which is a triplication compared to the previous year. Toyota Manufacturing Indonesia[39] invested US$380 million in a production plant for "International Multipurpose Vehicle Cars (IMV)" and plans to produce 70,000 cars per year which are mainly reserved for export. Also, the telecommunication sectors confirm growing consumer demand and prosperity of Indonesian consumers. According to the Indonesian Association of Cellular Telephone Operators, the number of cellular subscribers was to rise to 28 million in 2004 and 65 million by 2007.[40] However, the picture of the Indonesian economy is tarnished by an aggregate economic growth of below six percent (six percent are needed to reduce unemployment). Moreover, Indonesia has only hesitantly made use of the international fair weather for reforms during the last few years and its external and domestic debt

[37] Conference: "Regulation, Deregulation and Re-regulation in Globalizing Asia", National University of Singapore, The Public Policy Programme, 22nd until 24th March 2004.
[38] Bfai (Bundesagentur für Außenwirtschaft) (2004), Zukunftsmarkt Asien-Chancen einer aufstrebenden Region, p. 14, Köln, Germany
[39] 95 percent belongs to Toyota Japan and 5 percent to the local partner Astra International.
[40] http://www.telkom.co.id/infoterkini/view_news.asp?id=948&newscat= (20 April 2005);

make it vulnerable to future shocks (Walter 2004: 1). Corruption is still a huge problem but it seems that under Indonesia's new president, this serious problem will be tackled and will optimistically leave a more sanitized picture of Indonesia in the eyes of investors.

Unfortunately, Indonesia, traditionally an exporter of oil and gas, does not benefit from the rise in global oil prices as it consumes nearly all its oil whose supply it utilizes in less than technical up to date and economical ways. A consistently stated reason (given in interviews for this work) why Indonesia still receives comparable low foreign direct investments is that nominal (not real) wages (versus actual earnings) have increased significantly since the end of the Soeharto regime and that this lead to high labour costs (per hour) and unit labour costs which make manufacturing in Indonesia even for Indonesian companies rather unattractive.[41]

These contemporary findings and the preceding explanations on cultural forms (that range from those of the old Malay, through the traditional Javanese and Balinese forms, which are heavily influenced by the Hindu stories of the Mahabharata and Ramayana, to cultural forms that have evolved from this complex heritage) exhibit Indonesia's rich diversity that one is confronted with. This multifaceted cultural starting position and its impact on consumer behaviour in Indonesia will be the subject matter of Part C. In Part B the theoretical starting points of this work will be presented.

[41] Puma, for example, moved manufacturing from Indonesia to India where labor unit costs are not lower than in Indonesia, but where predictability of legal decisions and legal security for the company in case of copy-right infringements are offered (DM, interview November 2004).

B BASIC THEORETICAL CONCEPTS OF GLOBALIZATION AND INTERNATIONAL MARKETING

INTERNATIONAL MARKETING IN A GLOBAL ERA

"If there is any true (and sincere) way of being global it is not by denying differences […]." (Usunier and Lee 2005: 549)

"Globality describes the fact that from now on nothing which takes place on our planet will merely be a physically limited event, but rather every invention, victory and catastrophe which occurs will affect the whole world, so that we will have to reorient and reorganize our lives, dealings, organization and institutions along the ‚global-local' axis ..." (translation by author, Beck 1997: 30) [42]

"Globalization does not of necessity mean automatic, one-sided, or one-dimensional globalization. Rather, it is under the governance of the 'g-word' as the emphasis of the local and the opposite of the above ..." (translation by author, Beck 1997: 86) [43]

Summary Proponents of the globalization thesis emphasize different aspects of the global integration process, but generally this is seen to affect political, economic, and cultural relationships. This thesis focuses on the dynamic links and reciprocal exchanges between the latter two, that is the relationship between multinational companies (global players) and consumers (local players) in Southeast Asia, particularly Indonesia. Indonesia is undoubtedly in a phase of rapid economic, political and social transformation, which is partly connected to the dynamics of the globalization process. Modernization and globalization are partly responsible for the creation of new social groups, for the relativization of traditions and for the development of new social distinctions and phenomena. This transformation however is only partial and occurs on the "local-global"-axis. Seen within the framework of consumer research, it is utopian to expect the genesis of global consumers who think and act identically. The lead-in will commence with the debate of the globalization phenomenon which is not to be understood exclusively in the economic sense with its multiplicity of meanings and effects in a multipolar and kaleidoscopic world. Discussing this topic in depth is owing to the fact that in economics globalization is understood as an economic and not as a cultural process. Since the importance of culture is the starting point of this thesis it is however deemed necessary to bring the theories of cultural globalization closer to a wider audience outside social sciences.

42 "Globalität bezeichnet die Tatsache, dass von nun an nichts, was sich auf unserem Planeten abspielt, nur ein örtlich begrenzter Vorgang ist, sondern dass alle Erfindungen, Siege und Katastrophen die ganze Welt betreffen und wir unser Leben und Handeln, unsere Organisationen und Institutionen entlang der Achse 'global-lokal' reorientieren und reorganisieren müssen" (Beck 1997: 30).

43 "Globalisierung heißt gerade nicht automatisch und einseitig, eindimensional Globalisierung…Vielmehr kommt es unter der Regierung des 'g-words' im Gegenteil zu einer neuen Betonung des Lokalen" (Beck 1997: 86).

B.1 GLOBAL DYNAMICS AND CULTURE: BETWEEN GLOBALIZATION AND LOCALIZATION

B.1.1 Introduction

The ever-increasing level of world trade, opening of markets, intensified competition and enhanced consumer purchasing power all provide evidence for the global integration of markets (Dicken 2003: 1-4; Deresky 2006: 3-4; Cateora and Graham 2004: 18). The extensiveness and character of current developments have encouraged wide acceptance of the view that a new global condition prevails (Proff 2004: 1-19; Czinkota and Ronkainen 2004: 6-7; Kotabe and Helsen 2004: 5-8). As the second millennium drew to a close and a new one began, the catchword was "globalization". Although not by any means a new word, its use exploded dramatically in the 1990s as a host of books and academic papers with "global" or "globalization" in their title shows (Social Sciences Citation Index[44]). Globalization as a topic did not enter management literature until the early 1980s (Thomas 2003: 215), but it became a major theme in management discourse in the 1990s with the publication of "The Borderless World" (Ohmae 1990). Furthermore, Gurcharan Das (1993) with his "Local Memoirs of a Global Manager", published in 1993 in the Harvard Business Review should be mentioned at this juncture.

Globalization has been defined in a variety of ways, but a common thread in these definitions is its reference to a process or a series of processes whereby the world's societies are becoming increasingly interlinked and interdependent (Thomas 2003: 215; Kotabe and Helsen 2004: 5-8; Jeannet and Hennessey 2001: 42-47). The aims of the following discussions are twofold, namely to present the multiple dimensions of globalization and to provide a definition relevant to this work.

B.1.2 Globalization and the world economy

Dicken (2003: 32-81) states that the most significant development in the world economy during the past few decades has been the increasing internationalization and arguably, the increasing globalization of economic activities. Until recently, he argues, the extension of economic activities beyond national boundaries largely took the form of trade in goods produced within a national unit (Dicken 2003: 32-33). These trading relationships involved relatively few commodities exchanges between a limited number of nationally based firms. Today, however, trading relationships have been extended to cover a vast range of goods and services (Johansson 2000: 4-8). More importantly, they have been supplemented by production relationships which require the functional integration of production processes across national

[44] http://www.lib.umich.edu/govdocs/ssci.html (26 September 2005)

borders (Artner, Bassa, Hernadi, Meszaros, Szekely-Doby 2003: 5-38). The older world pattern of core manufacturing countries trading with peripheral suppliers of food and raw materials (Ricardo 1817)[45] has now been replaced by a new and more complex situation in which production is fragmented and geographically dispersed, transcending national boundaries.

These trends in the organization of manufacturing have their counterparts in business strategy and international marketing where brands, products and services surrounding marketing (such as advertising and brand consultancy) are now organized by giant, global companies operating on a worldwide scale (Johansson 2000: 498; Deresky 2006: 3-4; Czinkota and Ronkainen 2004: 398). This has been facilitated by new information and communication technologies (ICT) (McLuhan 1995: 119-129). As Thomas Friedman puts it, globalization is driven by “computerization, miniaturization, digitization, satellite communications, fibre optics and the Internet” (1999: 8). With these innovations, the potential for global economic integration is greater than it has ever been before. Moreover, corporations also tend to promote the homogenization of consumer tastes via their global marketing activities (Czinkota and Ronkainen 2004: 58).

Globally dispersed information technology brings previously separated parts of the world together, dissolving previous boundaries and forming an unprecedented “global village” (McLuhan 1995). At the same time this technology, together with flexible manufacturing methods and the global reach of the multinational company, enables mass markets to be fragmented into niches, and individualized tastes to be catered for. Thomas (2003: 218) adds: “Differentiation and fragmentation occur simultaneously; paradoxically globalization also produces localization”, implying a fundamental destabilization of previous boundaries.

B.1.3 The globalization debate: the area of conflict between critics and supporters of globalization

Notwithstanding the fact that the globalization topic dominates the social sciences, its causes, agents and consequences are still contended inside as well as outside academia. The globalization phenomenon is capturing the popular imagination and is becoming widely used, but not always understood. Globalization, a term that reached economics in the late 1980s, denotes increased integration of world production through new technologies and the agency of international corporations (Artner 2003: 31) to take advantage of one of the many hundreds of definitions available. Before defining the term

[45] For further information on David Ricardo, the following web pages can be consulted: http://www.vwler.de/joomla/content/view/14/26/; http://www.zeit.de/archiv/1999/23/199923.biblio-serie_4_.xml; http://cepa.newschool.edu/het/profiles/ricardo.htm (21 May 2005).

globalization it is necessary to deal with the popular criticism of globalization and its potential effects since this criticism dominates the public opinion.

Globalization has been blamed for everything from child labour and environmental degradation to cultural homogenization and a host of other ills affecting rich and poor nations alike. Not a day goes by without impassioned authors and activists, whether anti- or pro-globalization, putting their oars into these troubled waters. Populist books (see, for example: "No Logo"; "Global Dreams"; "One World Ready or Not"; "Turbo-Capitalism"; "When Corporations Ruled the World"; "A Future Perfect") have greatly intensified people's awareness of "global". The authors are respectively: Klein (2000), Barnet and Cavanagh (1994), Greider (1997), Korten (1995), Luttwack (1999) and Micklethwait and Wooldridge (2000). Many activists think of globalization as having overwhelmingly negative social consequences and believe that its impetus derives from the greed of multinational corporations and that its benefits accrue almost exclusively to the already rich (Mandle 2003: 2). Anti-globalization critics assume that the international triumph of the market economy must of itself lead to an erosion of cultural diversity (Meier and Roehr 2004: 35; Martin and Schuhmann 1998). Such an image often gives rise to an exaggerated sense of panic at cultural invasion which will result in the demise of local culture (Chua 2003: 121). Others argue "…global market integration is a desirable process, one that helps to advance worldwide living standards" (Mandle 2003: 1).

But are anti-globalization critics correct in claiming that economic globalization is imperilling both mainstream and indigenous cultures? This observation seems to be overly simplistic and pessimistic. In Bhagwati's (2004: 109) opinion, economic globalization is a culturally enriching process. Bhagwati (ibid: 109) believes that people increasingly cope with globalization by creating hybrids. Time will tell, however, if this belief is verified or not. Before putting these settings up for dialogue in the context of international marketing, a definition of globalization is required. So, what does globalization stand for in the social sciences?

B.1.4 Defining "globalization"

Globalization is a subject of enormous contention. The predicament is that, despite the proliferation of globalization literature, it is often difficult to see clearly through the maelstrom of views and opinions. Moreover, the process of worldwide globalization seems now to be quite different from that which had been visualized: a steady extension of the "American way of life" throughout the world which would contribute to the global happiness of humankind (Usunier and Lee 2005: 548). Three distinct and extremely polarized viewpoints can be organized around those of sceptics, hyperglobalists, and transformationalists (see, for example: Friedman 1999; Giddens 1999; Ohmae 1995; Reich 1991; Held and McGrew 1999).

Hyperglobalists argue that one now lives in a borderless world in which the "national" is no longer relevant. Globalization is the new economic (as well as political and cultural) order. We live, it is asserted, in a world where nation-states are no longer significant players or meaningful economic units and in which consumer tastes and cultures are homogenized and satisfied through the provision of standardized global products created by global corporations with no allegiance to place or community. Globalization is thus seen as both a real and dominant force in the contemporary world and one which is radically diminishing the influence of states in favour of markets. Many management gurus subscribe to this view. The future points to the emergence of global convergence, a global culture, a global citizenry and, of course, to the rise of a global consumer.

Although the notion of a globalized world has become widely accepted, there are some who adopt a more sceptical position, (see, for example: Hirst and Thompson 1992: 394; Ruigrok and van Tulder 1995: 119; Gly and Sutcliffe 1992: 91) arguing that the "newness" of the current situation has been grossly exaggerated. The world economy, it is claimed, was actually more open and integrated in the half century prior to World War I than it is today (Kozul-Wright 1995: 139). Moreover, to speak of a global economy is a misnomer since this mostly involves only what Ohmae (1990) calls the "Triad"[46] countries. Some sceptics, such as Sklair (1995) in "The Sociology of the Global System", also argue that globalization is not, as some of its apologists would claim, a mechanism for spreading wealth more evenly around the world. The gap between the "haves" and the "have-nots" is not disappearing but is being redrawn on a global scale with the emergence of a transnational capitalist class. The claim that the world is becoming borderless and that nation-states have become economically irrelevant, is also rejected.

So, on the one hand, it is claimed that we do, indeed, live in a new globalized world economy in which our lives are dominated by global forces. On the other hand, it is claimed that not all that much has changed - that we still inhabit an international, rather than a globalized world in which national forces remain highly significant.

Transformationalists take an arguably more balanced position than either sceptics or hyperglobalists. Recognizing continuities with the past, they also believe that a distinct transformation is under way: long-established processes of connectedness have accelerated and spread more widely in recent decades

[46] Economics and economic geography, take "Triad countries" to mean the description of the economic link between the EU, the USA and Japan. In this core area, the majority of world trade is concentrated.

that they have hitherto. Thus Giddens (1991) accepts in "The Consequences of Modernity" that profound changes are taking place in the modern world, but he is reluctant to accept that these amount to a break into a different kind of society. Rather, he uses such terms as "late" or "high" modernity to describe the contemporary situation. Similarly Beck's (1997) view is that globalization is a relatively recent process which has accelerated and has now produced a distinct condition.

It seems that the truth lies in neither of the two polarized positions presented by sceptics and hyperglobalists. The sceptic's understanding of globalization from the economic viewpoint as a process reduced to the seemingly stubborn logic of capital, is exactly the understanding to be avoided (Wischermann 2004: 2). On the contrary, it must be comprehended and decoded as a unified entity: "Globalization … is graspable in detail, in the concrete, in place, in one's own life, in cultural symbols, all of which bear the signature of the 'glocal'", states Beck (1998: 91, translated by Wischermann 2004: 2). As a consequence, globalization deserves to be recognized as a key idea in the context of understanding social change in the human societies in contemporary times.

As already stated, the social and cultural sciences connect globalization to a whole spectrum of processes and effects, the latter of which are to be presented now. The various widespread theses are anchored somewhere between the poles of homogenization, polarization and hybridization. Whereas the first of these claims that global culture is increasingly modelling itself on western or American standards (Westernization, McDonaldization, Disneyization), the second claims that increasingly the local cultural alternatives and the opposition to the dominance of western ideas are gaining relevance. A third position claims that reference to and incorporation of seemingly contradictory elements is the predominating development in the respective cultures. In general, the discussion around these three developmental tendencies is strongly speculative.

However, it is clear that the thesis of homogenization underestimates the degree of cultural creativity arising out of the meeting and interaction of global and local forces and therefore does not reflect reality. "Cultural exchange is by no means a one-way street", writes Wischermann (2004: 2). Frequently, proponents of the "homogenization" thesis ignore the existence of local cultural alternatives and the active role of local population: the penetrating cultural elements enter a dialogue with these local forms and meanings, these perspectives and experiences of local populations. "Local groups in the countries of the South are not only passive consumers and uncritical of the western culture", summarizes Schuerkens (2003: 215). As production processes and so-called modern lifestyles seem to converge, new distinctions are born creating multiple identities that address various levels of belonging at the same time (Korff 1997: 1; van Dijk 2001: 181-198; Gerke 1995: 1-3; Willer 2006: 31-43). Countering the proponents of the worldwide cultural homogenization thesis, the globalization theorist Appadurai argues that "… the central problem of today's global interactions is the tension between cultural homogenization and cultural heterogenization" (Appadurai 1995: 295). Heryanto (2002: 23) notes: "By accelerating our time and compressing our space, the new conditions have ruthlessly promoted fragmentation, superficiality, hybridity, dispersion, plurality and simulation.

Now that theoretical pluralism has been presented, it is necessary to outline the way in which globalization is to be understood in the framework of this thesis. This work is embedded in sociological theories which serve as the necessary intellectual system of thought to make the complex, multi-causal logic of globalization accessible.

This thesis reflects the view that processes of globalization precipitate an increase, not a decrease in cultural diversity and lead to a new global cultural diversity. In this sense, the widespread imagining of a McDonaldization of the world (convergence of global culture) is contradicted. According to this, universalization in the sense of a unification of life styles, cultural symbols and transnational behavioural patterns, is not catching on. The world does not consist of a one-dimensional shopping paradise which represses variety and openness and which denies the roots of local cultures and identities replacing them by a world of product symbols. Globalization in this case is understood as a dialectic process of cultural globalization in which "opposing elements are possible and become real contemporaneously" (translation by author; Beck 1997: 85: „gleichzeitig Entgegengesetztes möglich und wirklich wird"). Beck emphasises that "cultural globalization does not imply that the world will become more culturally homogenous" (translation by author; Beck 1997: 63: „Kulturelle Globalisierung bedeutet nicht, dass die Welt kulturell homogener wird"). Beck goes on to say: "Globalization actually means 'glocalization', that is, an extremely contradictory process as far as its content and the diversity of its repercussions are concerned" (translation by author; Beck 1997: 63: „Globalisierung meint vielmehr 'Glokalisierung', also einen hochgradig widersprüchlichen Prozess, sowohl was seine Inhalte als auch die Vielfältigkeit seiner Konsequenzen angeht"). Globalization actually leads in the long run to an emphasis of local aspects (Beck 1997: 86).

The fact that globalization does not only mean de-localization but implies re-localization, arises from economic calculation. Nobody can produce the commodity "global". Even globally producing companies that market their products internationally have to develop local bonds. It is no wonder, therefore, that this local-global-nexus plays a central role in large concerns' calculations. Coca-Cola and Sony describe their strategy as "global localization" (Demos 2006: 48-49). Their heads and managers emphasize that globalization does not mean building plants worldwide but rather means becoming part of the respective cultures. They declare their belief in “localism” and that is the company strategy which becomes increasingly important when practicing globalization.

As Robertson (1992: 173-174) explains, local and global are not mutually exclusive. On the contrary, local must be taken to mean one facet of global. Robertson suggests substituting the basic expression cultural globalization with “glocalization”, a portmanteau word connecting globalization and localization. Owing to its origin, this expression is especially appropriate as an abstract starting point for this thesis which concerns itself with consumer behaviour. Robertson (1992: 173) writes: “… glocalize [from dochakuka (問い合わせ), roughly meaning ‘global localization’] … a term which was developed with particular reference to marketing issues…” The expression “glocalization” did not originate in sociology, rather it is a term that was invented in order to emphasize that the globalization of a product is more likely to be a success when the product or service is adapted specifically to the locality or culture in which it is marketed. The term first appeared in the late 1980s in articles by a Japanese economist in the Harvard Business Review (Ohmae 1989, “Planting For A Global Harvest”; Ohmae 1989, “Managing in a Borderless World”; Ohmae 1989, “The Global Logic of Strategic Alliances”).[47] According to the sociologist Roland Robertson (1992), who is credited with popularizing the term, glocalization describes the tempering effects of local conditions and global pressures. The expression glocalization therefore has its origins in marketing, the central idea of which is to win over consumers to buy products and services. In spite of its origin in marketing, the expression and its impact have only made inroads in a few companies. Examples such as McDonald’s are the exception. The increasing presence of McDonald’s restaurants worldwide is an example of globalization, whereas the restaurant chain’s menu changes in an attempt to appeal to local palates are an example of localization (Appendix 1, Figure 14).

In spite of the resounding success of glocal strategies, they continue to be in the minority and many companies persist in implementing standardized global strategies, the virtues of which are extolled in the majority of subject-specific literature (DM, interview December 2004; IW, interview November 2004). In this manner, they attempt to standardize expectations of how life is to be lived, and to industrialize wishes and tastes. However, these attempts have mostly been unsuccessful as, for example, is shown with reports on Chinese children who identify McDonald’s as a domestic brand (Demos 2006: 48-49).

[47] http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;jsessionid=3S3LEHM44UEX2AKRGWDSELQ;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=89410&path=arc&pubDate=July%201989&_requestid=6958 (12 August 2005); http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;jsessionid=3S3LEHM44UEX2AKRGWDSELQ;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=89312&path=arc&pubDate=May%201989&_requestid=6987 (12 August 2005); http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;jsessionid=3S3LEHM44UEX2AKRGWDSELQ;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=89215&path=arc&pubDate=March%201989&_requestid=6997 (12 August 2005)

When considering the metamorphosis in Southeast Asia following a phase of rapid economic, political and social transformation, it can be confirmed that individuals there continue to demonstrate a lifestyle specific to their cultural environment (Becker, Rüland, Werz 1999; Gerke 1995; Gerke 2000; Gerke und Evers 1999; Horstmann 1997; Robison 1995; Sen und Stivens 1998; Robison und Goodman 1996; Chua 2000, 2003; Loh 1998; Pinches 1999; Tanter und Young 1990; Willer 2006), even if this often continues to be ignored by foreign companies. Culture, religious beliefs, social habits and longstanding traditions are the last area of global convergence, and also the weakest. Societies are loath to renounce deeply rooted values and it would be extremely naïve to think that American popular culture, seductive as it is, will soon engulf the entire world. To sum up, globalization is not a linear, one-dimensional phenomenon, forcing westernization. Globalization is to be understood as glocalization and the points of view set out and discussed in this chapter should be considered as the framework conditions of this work.

B.2 THE GLOBAL ECONOMIC MAP: INTERNATIONALIZATION TRENDS IN BUSINESS

B.2.1 The global environment

At no time in economic history have countries been more economically interdependent, have greater opportunities for international trade, or, has the potential for increased demand existed than now (Cateora and Graham 2005: 29-34; Czinkota and Ronkainen 2004: 31-33; Dicken 2003: 7-14; Kotler, Ang, Leong and Tan 2004: 2-4). National economies have become increasingly deregulated and have opened up opportunities for international trade and competition (Czinkota and Ronkainen 2004: 41-42; Dicken 2003: 36-81). Indonesia's market liberalization in the 1980s propelled foreign direct investment in a wide array of industries (on liberalising foreign direct investment policies in APEC [Asia Pacific Economic Cooperation][48], see for example Bishop 2001). It has become the norm for organizations to compete for market share not only with their national competitors but also with international ones (Kotabe and Helsen 2004: 3-8; Czinkota and Ronkainen 2004: 5-6). Globalization has implications for stakeholders, workers, suppliers, customers and local communities (Kotler, Ang, Leong and Tan 2004: 2-4). Marketers benefit from new markets opening and smaller markets growing large enough to become viable business opportunities (Johansson 2000: 4; Kotabe and Helsen 2004: 3; Czinkota and Ronkainen 2004: 53). Consumers benefit by being able to select from the widest range of goods produced anywhere in the world at the lowest prices (Cateora and Graham 2005: 28). Bound together by satellite communications and global companies, consumers in every corner of the world are demanding an ever-expanding variety of goods (Johansson 2000: 4; Czinkota and Ronkainen 2004: 607-608). International marketers, therefore, face a rapidly changing environment (Cateora and Graham 2005: 29; Kotler, Ang, Leong and Tan 2004: 2; Backhaus, Büschken and Voeth 2005: 3; Trompenaars and Woolliams 2004: 27; Cravens and Piercy 2004: 3) in which market integration poses new challenges since no market stands alone and the internationalization process is apparently irreversible (HS, lecture October 2004[49]). Companies increasingly find themselves needing to internationalize in order to stay competitive (Backhaus, Büschken and Voeth 2005: 3-12; Czinkota and Ronkainen 2004: 114-115; Kotabe and Helsen 2004: 3-8).

Confronted with increasing global competition for expanding markets, multinational companies are changing their marketing strategies and altering their organizational structures (Kotler, Ang, Leong and Tan 2004: 714; Cateora and Graham 2005: 335-337; Backhaus, Büschken and Voeth 2005: 23-53; Kotabe and Helsen 2004: 3-8). Their goals are to enhance their competitiveness and to ensure proper positioning in order to capitalize on opportunities in the global marketplace (Deresky 2006: 2-5).

[48] http://www.apec.org/ (12 September 2005)

[49] Lecture (welcome address) by Hellmut Schütte: Marketing of Consumer Goods in Asia (MOCA), Executive Education, INSEAD Singapore, October 2004.

Developing countries and emerging markets play a decisive role in this competition. Therefore, emerging markets, such as Indonesia, have become the objects of significant investment and major driving forces behind the global expansion of MNCs (Jeannet and Hennessey 2001: 316, 348-350). However, they are subjected to a multiplicity of marketing environments in these countries and realize the limits of the "economics of simplicity" (Levitt 1983), that is: growth by selling standardized products all over the world. Although products and services tend to become more similar over time (and there is no doubt that this is happening), customers seem to have different reasons for buying similar products (Ratneshwar et al. 2000: 1-8; HS, lecture October 2004). Indeed, the cultural factor is so dominant that some authors doubt there will ever be a converging taste across all customers around the world (global consumer) (Usunier and Lee 2005: 84-85; 123-126).

In spite of these obstacles, experiments with globally uniform products, brands and marketing activities (i.e. a lowest-common-denominator position that is supposed to be effective across all cultures) have not really diminished (Holt, Quelch and Taylor 2004: 1). This can be observed even though multinational companies have become lightening rods of anti-globalization protests, and customization to local tastes seems to be more profit-yielding. Furthermore, due to new technology, production, reduced transport costs and distribution techniques, it is economically viable. However, to take advantage of the opportunities in emerging markets, the marketer needs to get back to the local environment variables, then needs to decode, interpret and transfer them into the meaning and application of brands, products and services offered. Companies are progressively investing more in intangible assets, for example local brands, than in tangible assets, such as local factories (IW, interview November 2004; Bird 2004: 93-121; Güldenberg 2005), decisions which render an exact knowledge of the cultural environment even more crucial. Therefore, the time is right to investigate market expansions and associated international marketing matters (Cateora and Graham 2005: 34). This will be done in the following section.

B.2.2 The market contours

As described in previous sections, it is difficult to ignore the fact that increased global competition has been on the rise over the last three decades (Dicken 2003: 32; Kotabe and Helsen 2004: 3-8). These kinds of competitive effects put pressure on companies to globalize their marketing activities (Johansson 2000: 14). This is why there has been much discussion as to whether markets will ever globalize.

In 1987 Michael Porter was very astute in observing dramatic change in international trade patterns.[50] He concluded in his article "From Competitive Advantage to Corporate Strategy" that within business,

[50] http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=87307&path=arc &pubDate=May%201987&_requestid=8336 (14 August 2005)

multi-domestic home markets were themselves developing into global markets. In this respect, it is general knowledge today that this development is much more of a push from organizations trying to integrate their production processes on all levels of the value chain, than a pull from the consumer (IW, interview November 2004). This push was triggered by a series of factors which will be elaborated on hereafter.

B.2.2.1 Drivers of globalization processes influencing marketing strategies

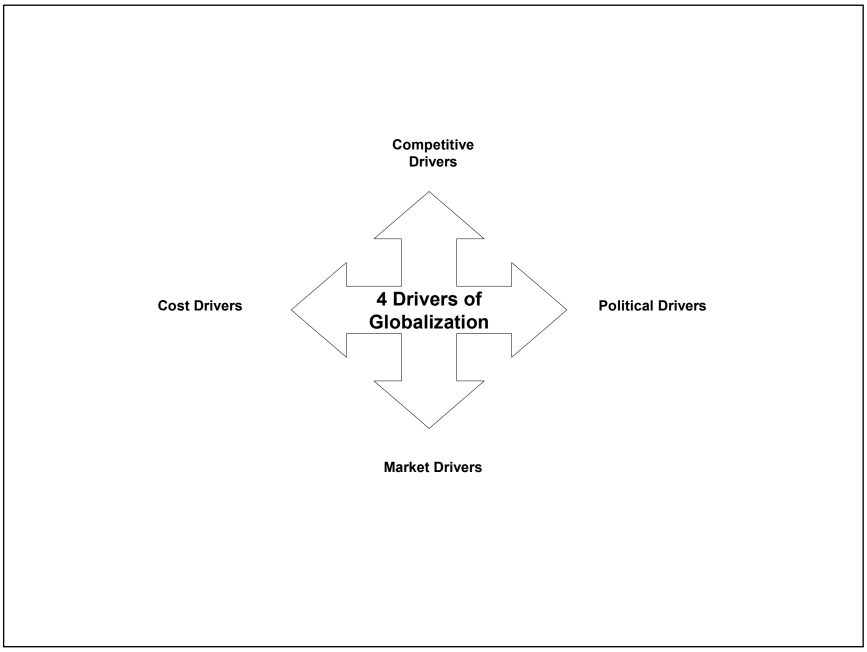
In order to scrutinize the apparent trend toward the often criticized homogenization of markets, three aspects of globalization processes must be distinguished. The first aspect is the globalization of demand, that is the apparent convergence of consumer behaviour and marketing environments worldwide (market drivers). The second aspect is the globalization of supply and competition, with the progressive shift from domestic industries operating in national markets protected by non-tariff barriers, to global industries (competitive drivers).[51] The third aspect deals with the globalization of products and marketing offerings. Companies react to globalization partly by shaping new strategies and partly by refining their organizational designs. They do this under cost constraints, given the potential for the experience effect of available technologies and the impact of transportation costs (cost drivers).[52]

The validity of the assumption concerning cost and competitive drivers seems to be justified. However, the presence and effect of market drivers is doubtful in the event of non-existent global homogenization of consumers and of their needs and wishes. Furthermore it is important to recognize that it is not only economic forces which shape global business. Particularly in the past several years, many political events have affected the nature of global competition (political drivers) (Kotabe and Helsen 2004: 3-8). The demise of the Soviet Union, deregulation and privatization of state-owned industries, also in Indonesia (AFX 2005a; Prasetiantono 2004: 141-157) changed market environments around the world.

Obviously these trends have been dependent on several factors such as the continued lowering of trade thresholds for example General Agreement on Tariffs and Trade (GATT) and recently the European Union and ASEAN Free Trade Area (AFTA) (Johansson: 12-16; Meier and Roehr 2004: 6 -7; Backhaus, Büschken and Voeth 2005: 3-12). In a freely competing world market, many organizations are forced to enter the international competitive arena in order to create synergies and lower costs by economies of scale (Johansson 2000: 15). The figure below (B-1) depicts the four drivers of globalization.

[51] http://media.wiley.com/product_data/excerpt/24/07879653/0787965324.pdf (23 April 2005)
[52] www2.widener.edu/SBA/econdept/Globalization%20Hill%20Ch%208.ppt (23 April 2005)

Figure B-1 Globalization Drivers



B.2.2.2 Phases of internal business economic strategies

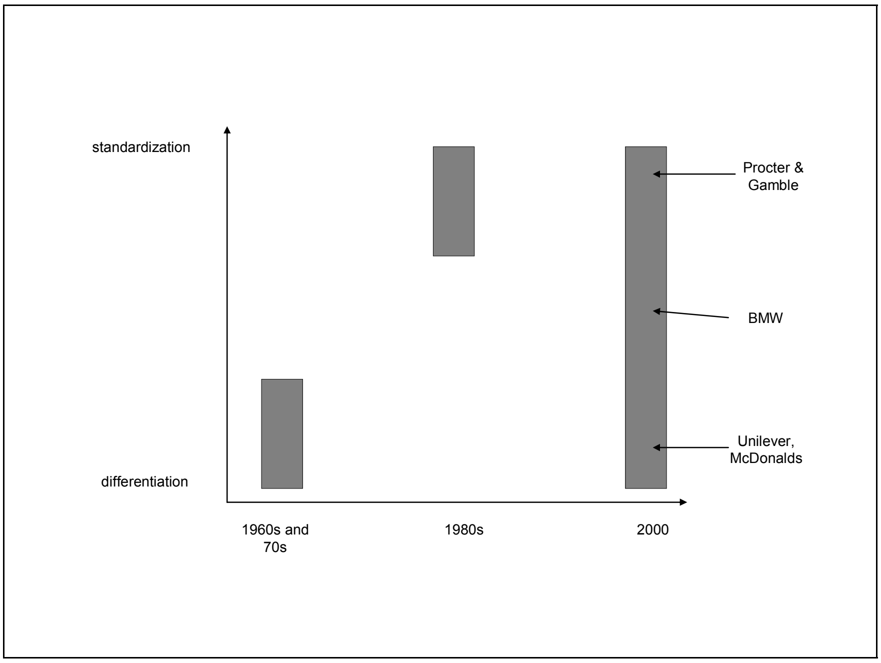
The reasons (which can be differentiated chronologically) behind competition and cost drivers have typically been based on internal business economic strategies (Kotabe and Helsen 2004: 297-325). The first phase, in the 1960s and 70s, was initiated by multinationals which delegated much of their authority to their local generating companies in order to be as close to the market as possible. The country managers, being lords of local fiefdoms, exploited their authority by emphasizing that decentralization was the most relevant strategy in order to be able to react properly to their unique local market circumstances (Jeannet and Hennessey 2001: 686-688; Cateora and Graham 2005: 337; Backhaus, Büschken and Voeth 2005: 23-26). Also, MNCs which grew fast worldwide in the 1960s and 1970s did so by granting a large degree of decision-making autonomy to their subsidiaries in their home markets (Deresky 2006: 293-294). Subsidiaries were asked to replace the corporate values and organizational practices of the parent company and were also encouraged to adjust completely to the local market (Usunier and Lee 2005: 229). Later on, subsidiary managers used the message of the uniqueness of their market to defend specific, nationally designed marketing policies. Hence, they defended their autonomy even at the expense of sometimes rather fallacious arguments (MJ, informal discussion, February 2005).

Then in the 1980s, under the doctrines of McKinsey and the like, a big centralization move was initiated (von Simson 1992: 28).[53] MNCs needed to shift their organizational design towards more centralization (Hout, Porter and Rudden 1982: 3).[54] Parent companies wanted to have a more unified implementation scheme of new, more centrally designed international marketing strategies, responding to the globalization of competition (Backhaus, Büschken and Voeth 2005: 23- 26; Jeannet and Hennessey 2001: 686-688). It was claimed that multi-local approaches needed to be replaced by centralized processes in order to achieve any global economies of scale (Meier and Roehr 2004: 10-12).

The following figure juxtaposes time, organization and management strategies typical of that time. In the 1960s and 1970s the then-expanding large corporations espoused the view that local markets had to be conducted locally (decentralization). These strategies were removed owing to the factors already mentioned, in favour of views that posed centralization of decision-making at the centre of company organization (centralization). Notwithstanding, these strategies did not always lead to the expected results. In recent years, after a long period of standardization, companies have started to give slightly more weight to localization, especially with regard to advertising and branding (Usunier and Lee 2005: 230). It is precisely the most successful companies that, according to Fortune, ("The World's Most Admired Companies"), are, today, those which have struck a balance between centralization and decentralization.[55] Peter Brabeck-Lethmathe, the chairman and CEO of Nestlé justifies the decentralized approach of Nestlé with the fact that consumer tastes are decided locally (Demos 2006: 49) and adds: "There is no such thing as a global consumer, and the autonomy given to our individual operations makes a lot of sense" (Demos 2006: 49). The figure below (B-2) shows various corporate strategies whereas Nestlé's strategy is similar to Unilever's.

[53] http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;jsessionid=DGAB2C15YK5SCAKRGWCB5VQBKE0YIIPS;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=90412&path=arc&pubDate=July%201990&_requestid=74321 (21 August 2005)
[54] http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;jsessionid=DGAB2C15YK5SCAKRGWCB5VQBKE0YIIPS;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=82504&path=arc&pubDate=September%201982&_requestid=74136 (17 August 2005).
[55] Fortune Europe Edition, 13 March 2006

Figure B-2 Strategies and timeline



B.2.3 Globalization and marketing

B.2.3.1 The dilemmas

Before the appearance of Buzzell's (1968) classic article, "Can you standardize multinational marketing?", natural entry barriers related to culture were seen as very high, requiring adaptation to national markets and offsetting the potential advantages of scale economies.[56] Behind this debate there is a quite practical issue regarding firms' operations, which is, the traditional dilemma between production flexibility and marketing's tendency to customize products to diversified needs (DM, interview December 2004). Factory managers prefer to be inflexible, for low-cost purposes, whereas marketing managers favour as much tailoring to customers' needs as possible. Developments in factory automation nowadays allow product customization without major cost implications. New strategies have been found to enforce economies of scale and experience effects. A modular conception of products permits shared economies of scale at the components level, whereas lagged differentiation maintains a high scale of production as long as possible in the production process and organizes cheap final customization.

In the context of the centralization and standardization strategy, the fundamental dilemma of globalizing is apparent. On the one hand, globalization is stimulated by production processes that are consistent throughout the organization to save costs; on the other hand, one finds the obvious responses from sales

[56] http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=83308&path=arc&pubDate=May%201983&_requestid=75511 (23 August 2005)

and marketing people to adapt their products and services to the needs of local consumers. This dilemma has not vanished, despite the fact that three remarkable global developments have occurred since the 1980s. Firstly, a further increase of global integration, especially in the late 1990s, occurred across cultural and company borders with the merger and acquisition wave (Kotabe and Helsen 2004: 285). Secondly, and also in the 1990s, there was a fundamental increase in the mobility of people. Thirdly, there has also been a fundamental breakthrough of both mass media (aimed at particular groups, like MTV and CNN) and the internet. Obviously, this has affected the internationalization of marketing. However, it remains reasonable to believe that these three developments will not lead to converging consumer tastes and in the long run to the emergence of a global consumer. This has not been the case to date and there are no signs of this kind of consumer even existing. While artificial entry barriers are disappearing, global markets remain more apparent than real when one looks at consumption patterns. Globalization is driven much more by increased global competition and simultaneous global restructuring processes (Kotabe and Helsen 2004: 3-8) than by consumers. Additionally, patterns of consumption are simply difficult to globalize without any adaptation (Kotabe and Helsen 2004: 131-174).

There is no evidence to claim that the globalization of marketing goes hand in hand with corresponding processes of global consumer behaviour and consumption patterns of convergence, even homogenization. One must be reserved about drawing the conclusion that, in the course of time, a global consumer will emerge as a result of globalization processes. Global markets evolve more through globalization on the supply side than on the demand side (which is much less willing to stifle its own unique needs and wants). According to Clark (1987) the customer will never want to be a universal punter at the mercy of a global producer.

B.2.3.2 The standpoints

Ever since Levitt's (1983) article on "The Globalization of Markets", academics and practitioners have debated whether international markets are becoming homogenous, and if the international marketing paradigm ought to change from highlighting national differences to exploring international similarities.[57] Proponents of global marketing contend that, because market needs are becoming homogenous, country differences are less relevant to international marketing planning (Bartlett and Ghosal 2000, 2003; Levitt 1983) [58]. Therefore it has been, and continues to be argued that global consumer segments are emerging.

[57] http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=83308&path=arc&pubDate=May%201983&_requestid=78308 (13 August 2005);
[58] http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=R0308F&path=arc&pubDate=August%202003&_requestid=78178 (1 September 2005);

Consumers within such segments would be similar worldwide and would want to use the same products and services. A position such as the one in question, taken by companies, became abundantly apparent at the end of the 90s and was characterized by a growing number of marketing activities (market segmentation) where the geographic reference market was no longer a country or a continent, but global consumer groups such as teenagers or Muslim females. Sheth and Parvatiyar (2001: 21) argue that if a marketer targets its products or services to the teenagers of the world, it would be relatively easy to develop a worldwide strategy for that segment. The idea of a global youth segment seems bluntly naïve as huge differences exist between countries with a comparable economic level such as the Philippines and Indonesia or, on the other hand, Singapore and Hong Kong. To reason that the same level of purchasing power in two countries leads to identical market segments, (that is, for example, teenage consumers in two different markets sharing values, attitudes and consumer behaviour), remains unrealistic.

Conversely, in the market for industrial goods (business-to-business) competition is global for a whole series of activities, and products in this sector tend to be of a global nature, such as in high-technology (aerospace, aviation, and telecommunications), industrial goods (machinery) and raw materials (basic products). However, it is less so in the case of the consumer goods being focused on here, and even less so in the case of services (credit cards, advisory services, and so on).

Yet others assert that the existence of global markets is “a myth”. They point to the many contradictory trends around the world suggesting stark differences in national markets, and hence the need for adaptation and customization of international marketing based on individual country differences (Quelch and Hoff 1986; Douglas and Wind 1987). Despite these arguments and counter-arguments, it is now widely known that consumers have not globalized and companies are adopting increasingly local approaches in order to reach their global strategy goals. Even in the luxury goods market, products usually thought to be truly global and acquired by a globally similar elite customer base (Kyojiro 2004: 32-48), Chang and Liao (2004) have shown for Louis Vuitton the enormous differences in brand image, buying and usage patterns of luxury goods in Taiwan, Hong Kong and Japan, three, at least geographically, close markets.

Marketing professionals are becoming increasingly aware of the need to take account of culture when working in diverse markets (Usunier and Lee 2005; Johansson 2000: 57). To their dismay, established theories break down and are insufficient when organizations are faced with new global markets with

http://harvardbusinessonline.hbsp.harvard.edu/hbrsa/en/hbrsaLogin.jhtml;$urlparam$kNRXE2ULYRiR52NiwJYH5SF?ID=R00201&path=arc&pubDate=March%202000&_requestid=78143 (1 September 2005) different cultural orientations. The following example will outline the theoretical debate explained, by means of highlighting the dilemma of global strategies of the Swedish furniture concern, IKEA.

IKEA, with operations in Southeast Asia in Singapore and Malaysia, is often cited as an example of a company with a successful marketing strategy given the globalization of world markets. However, IKEA had to learn that consumption patterns and way of life regarding household equipment, furniture and related items remain significantly different, according to the consumers' cultural backgrounds. This can be witnessed by comparing IKEA customers in Germany with their counterparts in Singapore and Malaysia, where customers perceive IKEA as a prestigious European brand and prefer not to assemble the furniture themselves as wished for by IKEA (informal discussion with IKEA staff, Singapore 2004). IKEA, acknowledging its perception as a European status brand, offers all electric goods with European sockets in order to enhance its up-market image by appearing distinctly European (although these electric goods are manufactured outside Europe). This illustrates the paradox of globalization, based on the rather harmonious coexistence of global and local patterns. Thus, IKEA succeeds globally in local ways, while maintaining a strong Swedish brand image and branding its items of furniture with names that sound strongly Nordic. Finally it is apparent that IKEA's standards and processes are universalized but there is room for local adaptation as desired by consumers. This strategy has been named "contingency strategy" in this thesis and will be fully elaborated on later. Contingency strategy here means when local adaptation is possible but not absolutely necessary. However, customization to local peculiarities promises more success (Demus 2006: 48-49).

Finally it should be reiterated that the encounter between companies that are increasingly globally operating, and consumers who remain largely local in their attitudes and preferences is the central paradox of the globalization of markets and displays the general line of disagreement. In view of the reality of the situation it appears contradictory that companies still seem to maintain such a strong paradigm for action emphasis on globalization since consumption patterns are clearly not globalizing, and adjusting to global competition is reconcilable with tailoring products and marketing strategies to national markets. Several reasons are cited for this view discussed at company-level. First, many companies believe that standardization will result in higher performance (Zou and Cavusgil 2002). The standardization of promotions and product is perceived to affect both aspects of performance (Kotler, Ang, Leong and Tan 2003: 391). However, empirical findings show that a firm's performance is indifferent to standardization versus adaptation, being dependent on the match between strategy and context (Fortune 2006: 33-46)[59]. Western companies rely heavily on standardization even when market conditions seem to favour localization. Secondly, often the globalization of consumption is presented as

[59] Fortune, Europe Edition, 13 March 2006

an unquestionable postulate, because it is much easier to sell the recentralization policy within the organization. The relationship between headquarters and subsidiaries in the defining of marketing strategy is complex. Too much autonomy results in purely local solutions with few economies of scale and an absence of worldwide coordination. It is the patterns of globalization of competition which impose changes in organizational design (recentralization), rather than the globalization of consumption patterns. As Kashani (1989: 92) emphasizes:

> *"… the way global decisions are conceptualized, refined, internally communicated, and, finally implemented in the company's international network have a great deal to do with their performance." (Kashani 1989: 92)*

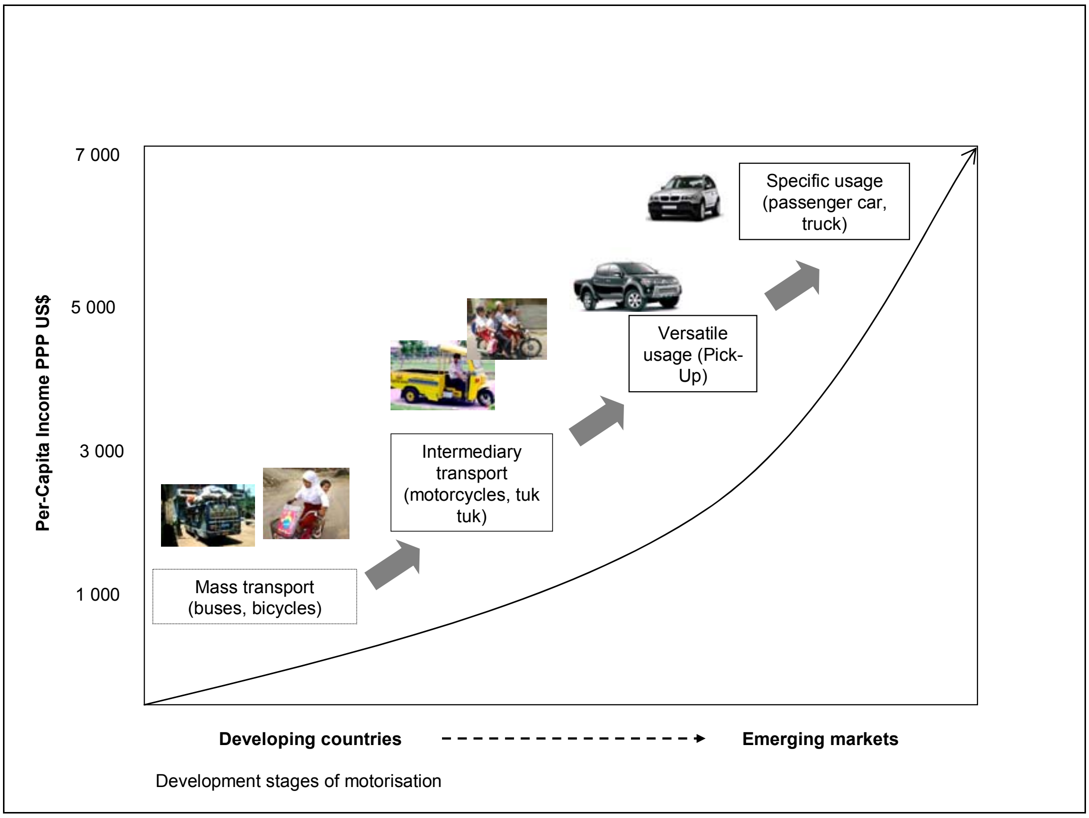
Local managers naturally tend to emphasize local consumption patterns and marketing environments. Regardless of these motives, the following facts are to be observed. The headquarters of successful global companies are flexible rather than authoritarian in dealing with their subsidiaries' assumed arguments (Demo 2006: 48-49). Artificial entry barriers related to duties and standards are now being progressively replaced by natural entry barriers related to scale and experience. For international marketing, culture-related experience is all the more important since the natural entry barriers relating to consumer behaviour and marketing environments will diminish gradually and only in the long term. Culture-related differences, for instance, will remain. Therefore, global marketing strategies must be implemented cautiously, especially in culture-bound industries: local knowledge has to be generated either by research, organizational learning and human resource management or by acquiring local companies. Globalization belongs to the realm of organizational discourse rather than to actual international marketing. Rather than a hard global marketing strategy, it is possible to adopt a semi-global i.e., an intercultural marketing strategy which has basically the same goals but is more respectful of local culture and attempts to serve purely local segments. Against this background, the question arises as to what is understood by the concept of international marketing.

The thesis follows the underlying philosophy that successful companies should standardize marketing programs wherever possible, and customize wherever necessary (strategy of differentiated standardization or contingency strategy). Conversely, global marketing strives to attain worldwide coordination, rationalization and integration of all marketing activities including target market selection, packaging, promotion and sales programmes (Douglas and Craig 1989). Although many companies, such as Procter & Gamble, are transforming themselves to become global companies by rationalizing their brand and product portfolio and developing integrated global marketing by altering their company structures, they still see the importance of local approaches and products. And this trend is apparently implemented increasingly in emerging markets, such as Indonesia. Thus, in the case of Indonesia, international marketing is seldom reincarnated into integrated global marketing since consumers are the focus and they are simply not global. As one can see, although international marketing is closely tied to the globalization of trade and markets, the existence of global marketing is questionable, as is the existence of a global consumer. Regional integration, the emergence of the triad power, technological advances and free-market policies have led to global sourcing and global competition for companies, but have not resulted in a global consumer as argued by Sheth (1992).

B.2.3.3 Globalization and consumption

No previous generation has had so many options for constructing lifestyles as today. In a world where the consumer has ever more opportunities for choosing and constructing lifestyles, the validity of the axiomatic economic models, whereby the purchaser makes what appears to be consistent and logical buying decisions (homo oeconomicus), is breaking down. Purchasing decisions are extremely culturally bound and no longer correlate to the traditional theory of consumer choice which encompasses four elements about the buyer and the market outlined by Anglo-Saxon economists. Why consumers purchase a certain product cannot solely be traced back to (1) the buyer’s marginal disposable income, (2) the price at which the goods or services can be purchased, (3) the tastes and preferences of the consumer and (4) the belief that consumers behave rationally and do the best for themselves. They have to be replaced by models which explain how and why a new generation of buyers, with different and frequently changing tastes and preferences (visible layers of the structuralist model of culture), think and act. The number of these lifestyle choices has increased dramatically. Furthermore, increasing wealth and prosperity allows the consumers to choose from this variety of lifestyles and respective goods. New production techniques provide the possibility of offering certain products for even the smallest niche markets (micro segments), while (due to worldwide interconnectedness) goods and wares are available worldwide, whose markets till now were extremely limited geographically. As a consequence, reality today is more complex as international trade becomes more and more part of daily life. Although for certain products, such as transportation vehicles (as outlined in the figure below [B-3]), demand can be linked to certain income levels, for most other products these general development stage trends have outlived their usefulness. For example, one would link the private use of mobile phones in the 1990s with the stage of a fully industrialized economy whereas today in Indonesia the majority of people are avid users of mobile phones irrespective of income (IS, interview October 2004; RD, interview December 2004).

Figure B-3 Development stages of motorization



According to this model, world citizens who achieved a per capita income of US$1,000 PPP, used mass transport vehicles such as busses and bicycles in particular; from US$3,000 PPP upwards, people used more motorbikes and tricycles, such as the so-called "tuk-tuk" in Thailand or "bemo" in Indonesia. A US$5,000 PPP and upwards per capita income, means people increasingly use vehicles with an open loading surface such as pick-ups. The purchasing threshold for passenger cars was circa US$7,000 PPP. With knowledge of the correlation between development stages of motorization and per capita income, certain growth figures of GDP can be translated into future sales potential with the aid of various prognosis techniques. Higher income increments enable faster consumption of more valuable technologically developed goods. The prognoses are complicated by uncertainty since the probability of the appearance of future environmental conditions is unknown. In addition to this, the purchase of certain goods is culturally dependent as is the use of income in general. Thus the assumption is widespread that when a country's per capita income is less than US$10,000 PPP, much of the income is spent on food and other necessity items, and very little disposable income remains. However, once per capita income reaches US$20,000 PPP, the disposable portion of income increases dramatically because the part of the income spent on necessities does not rise nearly as fast as income increases. As a result, people around the world with per capita income of US$20,000 PPP and above have considerable purchasing power. This assumption is easily comprehensible but, however, the following continuation of thought is not. It is assumed that with this level of purchasing power (US$20,000 PPP), people, regardless of their nationality, tend to enjoy similar educational levels, academic and cultural backgrounds, and access to information (see, for example: Kotabe and Helsen 2004: 9). This, however, does not lead to worldwide comparable consumer behaviour, or to the emergence of a global consumer. Even the assumption that the same income would lead to a unification of cultural backgrounds, which represents a mandatory prerequisite for the emergence of such a consumer is as absurd and detached from reality, as the following statement:

> *"As these cultural and social dimensions begin to resemble each other in many countries, people's desire for material possessions, ways of spending leisure time, and aspirations for the future become increasingly similar." (Kotabe and Helsen 2004: 8).*

Although the convergence of consumer needs at the macro level may be true, i.e. from a certain per capita income and upwards, more cars are purchased, it does not necessarily mean that individual consumers will adopt all the products from around the world which are associated with a certain income level. Furthermore, products and their importance are interpreted differently. What is more, the same goods may be purchased but for completely different reasons, as was demonstrated in the case of Indonesia. In fact, globalization would tend to emphasize this fact since the range of goods available in every field has dramatically increased. Globalization does not suffocate local cultures, but rather liberates them. In other words, thanks to market globalization, not only have people become more receptive to new things, but people also have a much wider, more divergent set of goods and services to choose from to shape their own individual preferences and lifestyles. In other words, the divergence of consumer needs is taking place at the same time and forms the basis of a glocal consumer culture.

B.3 GLOBAL PLAYERS IN SOUTHEAST ASIA: THE ROLE OF THE MNC

With its combined consumer potential of 500 million inhabitants, Southeast Asia has been vigorously targeted by some of the world's foremost consumer multinationals for years (TD, interview December 2004). The long history of colonization in the region, by Western powers in particular, has served to smooth the path for later economic expansion (Houben 2002: 35-36). Hall (1985: 26) notes in this context: "International maritime trade in Asia developed in stages", i.e. the multitude of companies operating in Southeast Asia today, were active very early on in this region, partly on behalf of governments, which meant real advantages in terms of little competition from local, indigenously run companies. Western MNCs are the oldest-established "modern" enterprises in Southeast Asia, beginning with colonial-era multinational trading companies and export plantations (Purcell 1965: 18-69; Chaudhuri 1985: 160-202; Chaudhuri 1999: 111-139). Unlike in Japan or the so-called dragon economies of Korea, Hong Kong and Taiwan, where indigenous firms played the leading role, these foreign corporations have been instrumental in promoting the development of Southeast Asia. Even before the investment liberalization of the late 1980s and 90s, the western MNCs came to occupy a major, if not dominant, role in the modern sectors of Southeast Asian economies (Booth 1999: 564-579).

During the early decades, Western investment in the region was most attracted by the region's abundant natural physical resources and cheap labour, and the possibilities they provided for competitive exports to world markets (Van Goor 1999: 141-167). But since the 1970s the presence of Western MNCs has steadily increased as these economies have grown and developed new sectors, and barriers to foreign trade and investment have been progressively reduced (Booth 1999:578-580). This is typified by the series of studies indicating that at least half of the domestic economic growth in Thailand since the 1980s has been the result of FDI, with foreign multinationals responsible for over one-third of the country's subsequent export flows (de Bettignies 1997: 77-90). This surge in FDI across the region has propelled Southeast Asia's economies far beyond the point to which their indigenous technologies would have taken them. From the point of view of the corporations themselves, the most important activity is using Southeast Asia as a production base for the worldwide export of product, often through the sourcing of local components (IW, interview November 2004). However, this is changing since, through social transformation brought about by economic growth, a new middle class has sprung up, which creates profitable markets.

Although both domestic and foreign corporations seek profits and are often operationally interconnected, their management and marketing practices tend to be so dissimilar that Boeke's concept of "dualism", originally developed to describe the broad cleavage between a western, modern capitalist sector and an

Eastern traditional non-capitalist sector (Boeke 1953), seems still to persist. The Indonesia Best Brand Award (IBBA) confirms the idea of the dominance of Western brands and products in all categories except "Rokok Kretek" (clove cigarettes), Rokok Mild (non-clove cigarettes) and "Bumbu Instan" (instant noodles) where local players dominate (Palupi 2004: 26-43).[60] SWA recapitulates: "Local brands often evoke the perception of being cheap, not having global competence and having a low brand value" (translation by author, "Merek lokal sering dipersepsikan sebagai produk murah, tidak berkompetisi di pasar global dan brand value-nya rendah" (SWA 2004: 43).

In times of fierce competition, brands evolve as the only distinction between products (Meffert et al. 2003: 4-15) and consumers set this trend by building relationships (brand loyalty) with their preferred brands. The relationships between brands and customers are becoming more passionate and brands, particularly in Asia, tend to be seen as a form of self-expression (Leong, Ang and Tan 2001:115-124) which underlines the significance of marketing and branding. Indonesian companies, with some exceptions (such as Indofood or Sampoerna)[61], seem not yet to have understood the importance of brand building and therefore have not successfully driven the consumers' desire to own and use their products; a fact which leaves domestic sales of most Indonesian companies far behind their Western counterparts. Multinationals with headquarters in the West and Japan are generally far superior to their local counterparts in technological and organizational competencies, from which much of their industrial power is drawn (HS, opening address October 2004). Indonesian conglomerates have in the past competed largely through pricing and low wages, neglecting the huge effort necessary to move forward in terms of management practice and technology.

In the framework of the recent economic crisis, the prevalence of foreign corporations remains undiminished and has by all accounts been enhanced (HS, interview October 2004). With their immense financial weight, some of the world's top corporations, headed by U.S. and European giants of Procter & Gamble, Gillette, Nestlé[62] and Unilever, have spearheaded the stampede to buy out or take increased stock in partly owned subsidiaries or competitors (DM, interview December 2004; TD, interview December 2004). Yet far from being mere cases of asset stripping, the vast majority of the acquisitions appear to be long-term strategic investments in the region. The growth of the increasingly large and affluent middle class has been a concurrent slant on MNC investment in the economies of the region.

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[60] http://www.tempointeraktif.com/hg/ekbis/2005/07/22/brk,20050722-64265,id.html (20 December 2005);
http://www.swa.co.id/swamajalah/sajian/details.php?cid=1&id=3049 (21 May 2005);
http://www.thejakartapost.com/yesterdaydetail.asp?fileid=20050725.L02 (25 May 2005)

[61] http://www.indofood.co.id/content/index.asp?fuseaction=list_artikel&venue_id=080501&topic_id=1&enter_date=8/5/2004%209:09:50%20AM (25 May 2005)

[62] Nestlé has been the first multinational in the food industry to word a global strategy in which Indonesia is stated explicitly: "Our objective is to build strong market positions in the three most populous countries, namely China, India and Indonesia." (Nestlé Goldman Sachs Conference PBL, May 2001)

Albeit temporarily dampened during the immediate aftermath of the crisis, this continuing trend has led to higher demand per capita for more complex, higher-priced consumer durables such as automobiles and electronic house wares. In this context an increasing number of MNCs are being drawn to the region by its consumers. As wage levels in the region continue to rise, some MNCs currently using ASEAN as a low-cost exporting platform may well reinvest elsewhere in time (Kleine-Brockhoff 2006), but others will be drawn in their place by the region's growing spending power. Along with the arrival of firms such as Ford, Nestlé and BMW, this development will act as a catalyst to the transition from a labour- to a more knowledge-intensive manufacturing base in the coming years (DM, interview December 2004).

In the current Indonesian industrial environment, multinationals are prevalent across a wide spectrum of industries. A glance at the roadside billboards on the taxi ride from Jakarta's international airport to the city centre reveals a typical cross-section of the industries represented, from automotive companies to electrical and communications firms and consumer giants. The comparative multinational dominance of western MNCs is not only characteristic of automobile, electronic and petrochemical sectors, but also of cosmetics and pharmaceuticals. L'Oreal, Estée Lauder, Avon, Procter Gamble and Unilever lead the field in cosmetics, the latter two companies also dominating the regional consumer goods industry alongside Colgate-Palmolive (DM, interview December 2004).

In the course of market saturation in industrialized countries, more and more companies are pushing into developing and emerging markets so as to tap new target groups for their products and services. This leads to fierce competition pressure and long-term to cut-throat competition, since only those companies whose products and services appeal to the consumers of countries like Indonesia, will leave the ring reinforced and victorious. Therefore locally adapted marketing strategies are necessary. What exactly is meant by marketing will be explained in the next chapter.

B.4 INTERNATIONAL MARKETING: MEANING AND SUBJECT IN A GLOBAL ENVIRONMENT

"One region of the world that has been overlooked from the marketing standpoint is Asia." (Onkvisit and Shaw 1985: 5)

"Globalization is not the very simple process it is often believed to be." (Usunier and Lee 2005: 409)

Summary The following sections deal with the definition, content, factors and risks of international marketing (IM) as well as with the strategical orientation of internationally operating companies. The comments attempt to summarize several thousand pages of marketing literature which deals in depth with the aspects described here briefly. It is imperative to focus on the essentials in order to provide the necessary basics for those readers not familiar with marketing. Besides the English specific terms, their Indonesian equivalents will be named.

B.4.1 An introduction to marketing

Products and services are intended to satisfy human needs [kebutuhan]. Someone buys soup in order to satisfy his hunger. The consumer reaps this so-called basic benefit from the functional, for example physical, chemical or technical properties of the goods. Furthermore, several products have an additional benefit because they fulfil a higher need (for example, the need for prestige or self-esteem). Someone who buys an abalone[63] soup generally does so not merely to satisfy his appetite, but also to eat healthily and because it is considered an expensive delicacy. These additional benefits are rather incorporeal in nature and are mostly transmitted via advertising [promosi penjualan], for which marketing is responsible. A definition of marketing and its content will be outlined and explained in the following sections.

B.4.1.1 Definition

Marketing as a discipline of study and as a profession developed in the United States; most of the techniques utilized in marketing were originally created and employed there (Onkvisit and Shaw 1985: 5). The American Marketing Association defines marketing as "… the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals".[64] The concepts of satisfaction [kepuasan] and exchange are

[63] Abalone is the American English variant of the Spanish name Abulón used for various species of shellfish (mollusks) from the Haliotidae family (genus Haliotis).
[64] (http://www.marketingpower.com/mg-dictionary-view1862.php? (12 May 2005)

at the core of marketing. Potential customers [pelanggan] should be perceived as information seekers who evaluate marketers' efforts in terms of their own drives and needs. If the offering [tawaran] is consistent with their needs, they tend to choose the product; if not, they choose other alternatives. In western thinking, marketing has become an all-embracing business discipline (Trompenaars and Woolliams 2004: 4; Bruhn 2001: 5). In a nutshell, it could be said that marketing is the management process that identifies, anticipates, and supplies customer requirements efficiently and profitably (Czinkota and Ronkainen 2004: 17).

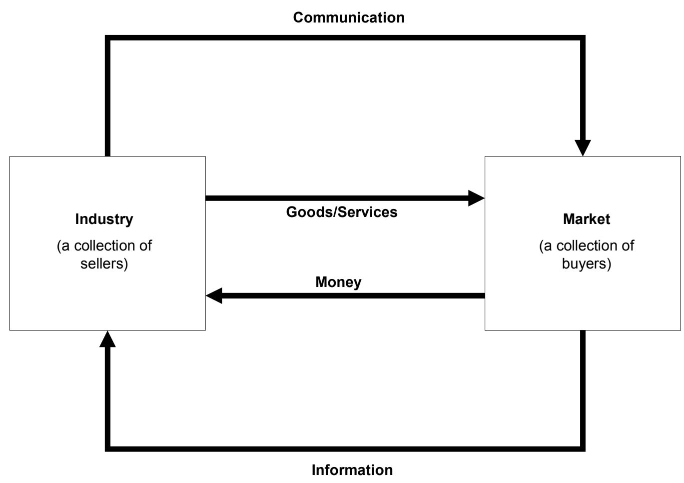
What marketing has to achieve is the creation of wealth through the relationships between people and what they value (Carvens and Piercy 2004: 5). Marketing as a discipline had and still has less significance when goods are scarce and demand exceeds supply (Kotler, Ang, Leong and Tan 2003: 105-107) and developed as competitive markets shifted in the buyers' favour. Peter Drucker (1973: 64-65) explains the aim of marketing is to make selling superfluous. He adds:

> *"There will always, one can assume, be need for some selling. […] The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer base who is ready to buy. All that should be needed then is to make the product or service available." (Drucker 1973: 64-65)*

Consequences of this idea are that marketing must know and understand customers so well that the product or service suits them and sells itself. However, in many cases marketing strategies fail on home markets, not to mention on foreign and culturally diverse ones, where the propensity for failure has never been greater (Trompenaars and Woolliams 2004: 3). Onkvisit and Shaw (1985: 5) remark that it is rather surprising that firms which generally go to great lengths to study their American customers in order to find the best way to communicate with them, have generally not exhibited the same kind of diligence and attention when they venture abroad.

The following figure summarizes a simplistic marketing system [sistem pemasaran]. The system comprises a collection of sellers (for example an industry) and a collection of buyers to the market. Sellers and buyers are connected by four flows whereby the sellers send goods, services and communications (ads, direct mail, etc.) to the market and in return receive money and information (attitudes, sales data). The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

Figure B-4 A Simple Marketing System



(adopted from Kotler, Ang, Leong and Tan 2003: 11)

B.4.1.2 The marketing process

A key task of the marketer is to recognize the ever-changing nature of needs and wants [keinginan] (for example, the requirements of Indonesian consumers [konsumen] altered during the financial crisis in such a way that due to financial constraints buying items in small quantities - for example, individual sachets of shampoo - was deemed necessary) (IS, interview October 2004; AS, interview November 2004). Increasingly, the goal of marketing has been expanded from sensing, serving, and satisfying individual customers to taking into consideration the long-term interests of society (corporate social responsibility - CSR). Kotler describes this as: "… to determine the needs, wants and interests of target markets … in a way that preserves and enhances the consumer's and the society's well-being (1997: 27). Some companies have already adopted this wider outlook in Indonesia, such as Unilever's "Clean Brantas River project".[65]

The marketing manager's task is to plan and execute programs that will ensure a long-term competitive advantage for the company. The task has two integral parts: determining of specific target markets [pasar-pasar sasaran], and secondly marketing management [manajemen pemasaran], which consists of manipulating marketing mix [kombinasi pemasaran]elements to best satisfy the needs of individual target markets. Characteristics of intended target markets are of critical importance to the marketer and can be summarized by the so-called eight Os: occupants, objects, occasions, objectives, outlets, organization, operations, and opposition (Kotler 1994: 174-175).

[65] http://www.unilever.com/Images/2003%20Cleaning%20up%20the%20Brantas%20River%20in%213 5526.pdf (14 April 2005)

Characteristics of target markets

Occupants are targets of the marketing effort. The marketer must determine which customers to approach and also define them according to numerous dimensions, such as demographics (age, sex, nationality), geography (country, region, city), psychographics (attitudes, interests, and opinions), or product-related variables (usage rate and brand [merek] loyalty). Objects are the things being bought at present to satisfy a particular need, such as services, physical objects, ideas, organizations, places and persons. Objectives are the motivations behind the purchase or adoption of the marketed concept. Many customers look for hidden value in the product they purchase, which may be expressed. Occasions are the circumstances in which occupants can buy objects. Outlets are places where customers expect to be able to procure objects or to be exposed to messages about them. Organization describes how the buying or acceptance of an idea takes place. Organization expands the analysis beyond the individual consumer to the decision-making unit (DMU). The DMU varies in terms of size and its nature from relatively small and informal groups like a family, to large groups (more than ten people), to formal buying committees. DMUs in Indonesia, as in other Southeast Asian countries, seem to be larger in size as, for example, the extended family can be involved in buying decisions (Schütte and Ciarlante 1998: 50-51). Operations represent the behaviour of the organization buying products and services. Opposition refers to the competition to be faced in the marketplace. Analyzing the eight Os, and bearing in mind other uncontrollable factors in the environment, the marketer must select the markets at which efforts will be concentrated.

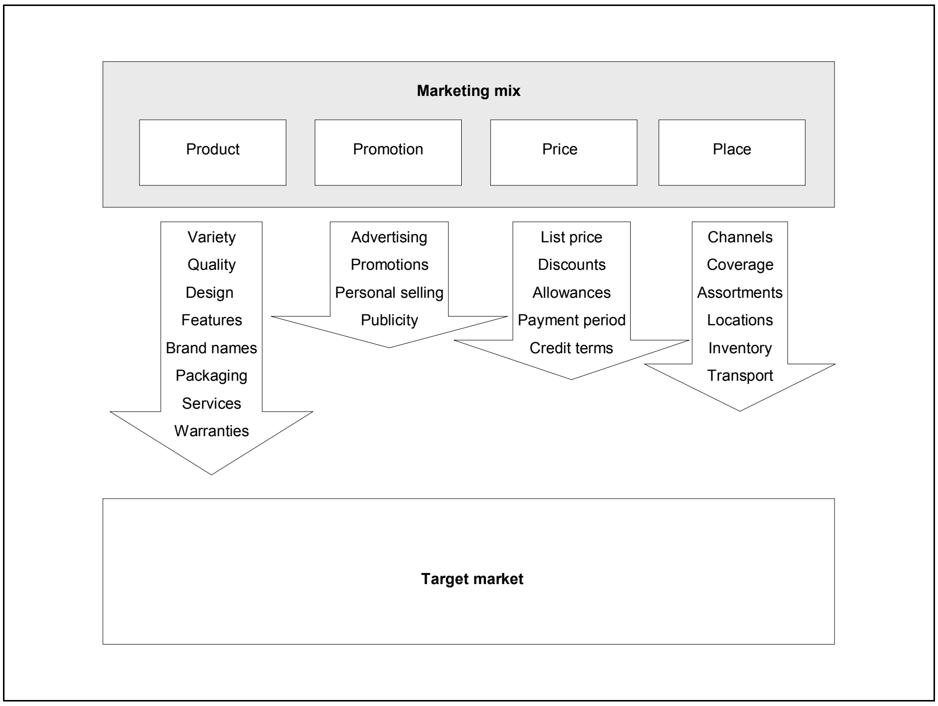
The marketing mix

Analysis of the characteristics of the target market enables the specification of the marketing mix, or the four Ps [empat P]: product [produk], price [penetapan harga], place [penempatan], and promotion [promosi] (Perreault and McCarthy 2002; Cravens and Piercy 2004: 38-39). Kotler, Armstrong, Saunders and Wong (1996: 96) define the marketing mix as follows:

> *"We define the marketing mix as the set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product. The main possibilities gather into four groups of variables known as the 'four Ps': product, price, place and promotion." (Kotler, Armstrong, Saunders and Wong 1996: 96)*

Each consists of a sub-mix of variables, and policy decisions must be made on each. Product policy is concerned with all the elements that make up a product or service. All possible tangible characteristics (such as the core product and packaging) and intangible characteristics (such as branding and warranties) are included. Many products are a combination of a concrete product and the accompanying service. Communication policy uses promotional tools to interact with customers, middlemen, and the public at large. The communications element consists of these tools: advertising, sales, promotion, personal selling, and publicity. Because the purpose of all communications is to persuade, this is the most visible and sensitive of the marketing mix elements. Pricing policy determines the cost of the product to the customer. Price is the only revenue-generating element of the marketing mix. Distribution policy covers the place variable of the marketing mix and has two components: channel and logistics management. Channel management is concerned with the entire process of setting up and operating the contractual organization, consisting of various types of middlemen (such as wholesalers, agents, retailers, and facilitators), while logistics management is focused on providing product availability at appropriate times and places in the marketing channel. Place is the most long term of all the marketing mix elements, and the most difficult to change in the short term. The following figure shows the particular marketing tools under each "P".

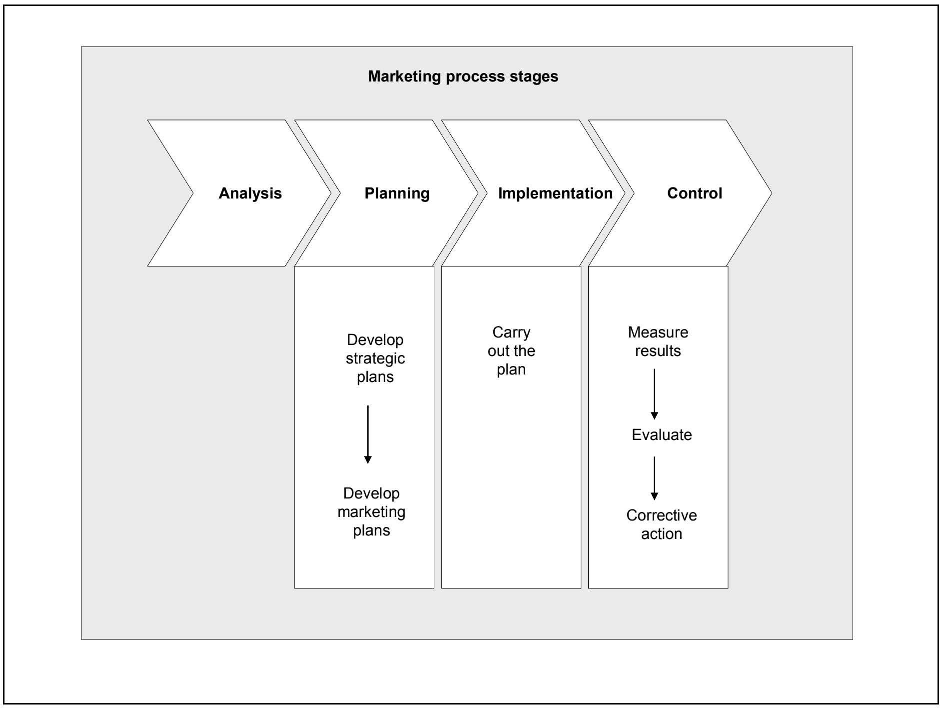
Figure B-5 The four Ps: the marketing mix



Marketing process stages

The actual process of marketing consists of four stages: analysis, planning, implementation, and control (Lambin 2000: 424-451). Analysis begins with collecting data on the eight Os and using various quantitative and qualitative techniques from marketing research. Data sources will vary from secondary to primary, internal to external (to the company), and informal to formal. The data is used to determine company opportunities by screening the environment checked against the company's resources to judge their viability. Planning refers to the blueprint generated to react to and exploit the opportunities in the marketplace. The planning state involves both long-term strategies and short-term tactics. A marketing plan developed for a particular market includes a situation analysis, objectives and goals to be met, strategies and tactics, and cost and profit estimates. Additionally it includes the formation of an organizational structure or adjustments in the existing one congruent with the execution of the plan. Implementation is the actual carrying out of the planned activity. If the plans drawn reflect market conditions, and if they are based on realistic assessments of the company's suitability to the market, then implementation will be a success. Concurrently, control mechanisms must be put into effect to monitor environmental forces, competitors, channel participants, and customer receptiveness.

Figure B-6 Marketing analysis, planning, implementation and control



These marketing process basics (eight Os, four Ps and marketing process) do not vary, regardless of the type of market one is planning to enter or to continue operating within. They have been called the technical universals of marketing (Czinkota and Ronkainen 2004: 20). The different environments in which the marketing manager must operate will give varying emphases to the variables and will cause the values of the variables to change. The awareness of different environments brings us to the international perspective of marketing.

B.4.1.3 Defining international marketing

The business environment is changing and firms cannot afford to ignore international markets. The increasing dependency of nations around the world on each other's goods and services has raised awareness among companies of the need for an international outlook in their approach to business and marketing. Compared to international trade and export marketing, international marketing is a more recent phenomenon (Johansson 2001: 4-8). It has grown since World War II and presumably was a consequence of the demise of colonialism and the recreation of numerous independent nations (Sheth and Parvatiyar 2001: 18). However, the phenomenon is not entirely new. Products have been traded across borders throughout recorded civilization, extending back beyond the Silk Road that once connected East with West from Xian to Rome on land and the recently excavated sea trade route between the Roman Empire and India which existed 2000 years ago (Ptak 1999: 112-140). What is relatively new about the phenomenon, apparent in large U.S. companies in the 1950s and 1960s and in European and Japanese companies in the 1970s and 1980s, is the large number of companies with interrelated production [produksi] and sales operations located around the world (Kotabe and Helsen 2004: 1). This geographical expansion of corporations takes us to the definition of international marketing. The classic understanding of the concept and content of international marketing is reflected in the definitions given in literature. The following classifications stem from American and European literature.

In general, definitions in international marketing literature are characterized by an emphasis on crossing national borders and run parallel to traditional definitions of marketing. This hazy distinction, a mere extrapolation of familiar concepts from the national to the international sphere, would mean that no in-depth treatment of international marketing is really indispensable. However, the difference between international and domestic marketing does not lie in the above-presented theoretical concepts of marketing but in the environment within which marketing strategies and plans must be implemented (Cateora and Graham 2005: 10).

International marketing is that segment of business concerned with the planning, promotion, distribution, pricing of the goods and services desired by intermediate and ultimate consumers internationally (Albaum et al. 1998; Onkvisit and Shaw 1993; Mühlbacher et al. 1999).

The definition of international marketing is different from marketing only in the fact that goods and services are marketed across political borders. Kahler and Kramer (1977), too, and Bradley (1991) regard crossing national borders as the central characteristic of international marketing, without an immediate link to the market and consumers. According to Meffert and Bolz (1994: 23) international marketing is the analysis, planning, execution, coordination and control of market related activities of a company operating in more than one country.

Strategies in international marketing

By and large, literature presents two distinct trends in marketing outside domestic home markets, i.e. international marketing, implemented as (1) multinational or multi-domestic marketing, and (2) global marketing (Jeannet and Hennessey 2001: 4-6, 10-11; Kotabe and Helsen 2004: 16-17; Johansson 2000: 8-12).

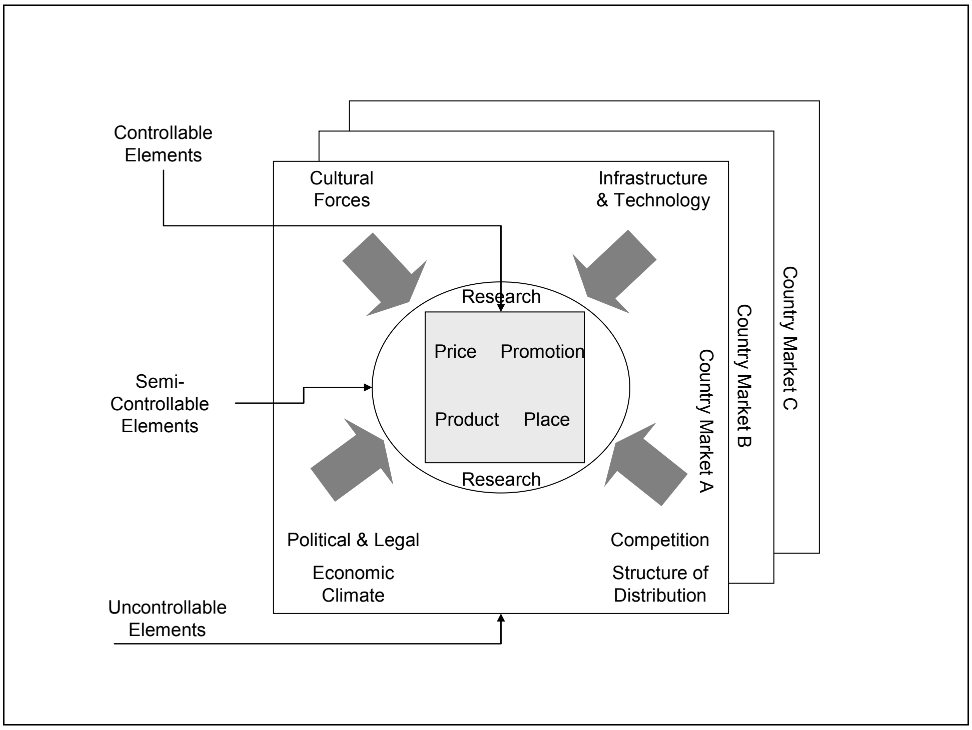
A multinational approach is characteristic of polycentric firms, that is, companies with an intensive consideration of country-specific conditions. Contrary to that strategy, the global marketing companies treat the world, including their home market, as one market (Cateora and Graham 2005: 20). Market segmentation [segmentasi] decisions are no longer focused on national borders, as is the case in international marketing. Instead, market segments are defined by income levels, usage patterns, or other factors that often span countries and regions or even the entire globe (Johansson 2000: 10). Effective use of segmentation, that is, the recognition that groups within markets differ sufficiently to warrant individual marketing mixes, allows global marketers to take advantage of the benefits of standardization while addressing the unique needs and expectations of a specific target group (Czinkota and Ronkainen 2004: 409-410). The objective is to arrive at a grouping or groupings that are substantial enough to merit the segmentation effort. One of the segments pursued by global marketers is the middle-class family. However, as stated already earlier in the discussion about a global teen market, the homogeneity of such segments is questionable globally as well as locally in times of the so-called hybrid consumer. Often this global marketing is catalyzed by a company's crossing the threshold of more than half its sales revenues coming from abroad. The entire organization (organizational structure, sources of finance, production, marketing, and so forth) begins to take on a global perspective (Cateora and Graham 2005: 20; Johansson 2000: 10; Kotabe and Helsen 2004: 16-17). A company guided by the idea that markets are global and therefore one which standardizes marketing across national boundaries, is referred to as a global company or a company with a global marketing outlook. The global marketing concept views an entire set of country markets as a unity, identifying groups of prospective buyers with similar needs as a global market segment and developing a marketing plan that strives for standardization (Caterora and Graham 2005: 23).

Conversely, multinational marketing of a company starts, as shown, when activities of a company cross borders, and it recognizes the importance of differences in overseas markets. A company guided by this concept has a strong sense that country markets are vastly different and require almost independent marketing programmes [program pemasaran]. Multinational marketing is often used as just another word for international marketing. Similarity between country markets and the home market plays only a minor role, in comparison to the situation with ethnocentric firms. While for ethnocentric firms, the transfer of familiar and successful concepts from the home market to new country markets plays a central role (global marketing), polycentric firms see adaptation to national preferences as being key to success (multinational marketing) (Backhaus, Büschken and Voeth 2004: 108). Based on the idea that the concept of a global consumer and his attributes is a myth that thwarts the reality of globalization (i.e. that globalization processes do not lead to cultural homogenization), this study now concentrates on multi-domestic marketing and not on global marketing whereas multinational or multi-domestic marketing is treated as international marketing and therefore is understood in opposition to global marketing.

B.4.1.4 Elements or factors of international marketing

The following elements or factors are particularly important for the concept of international marketing (see, for example: Czinkota and Ronkainen 2004: 2-29). The uniqueness of international marketing comes from the range of unfamiliar problems which increase uncertainty and which are described in literature as the uncontrollable and controllable factors, elements (Jeannet and Hennessey 2001: 40-164) or just as the environmental data (Johansson 2000: 97-102) of marketing decisions. Neglecting these factors can lead to results detrimental to the company and its operations. The elements of the marketing environment of international markets tend to be divided into "controllable elements" and "uncontrollable elements" in American literature (Cateora 1993: 10). Each foreign country in which a company operates, adds a unique own set of uncontrollable factors (Cateora 1993: 9). Environments mould the wants, needs and emotional world of foreign customers and must therefore be regarded as the determining factors in setting strategies, goals and marketing instruments (Kulhavy 1989: 74). Generally speaking, the marketer cannot control or influence uncontrollable factors, but instead must adjust or adapt to them. Johansson (2000: 96) notes: "… researching country markets' potential and the risks involved in entry is more critical than ever". The uncontrollable factors of a foreign market are political and legal forces, the economic environment, infrastructure and technology, geography, distribution and cultural forces (Johansson 2000: 97-108; Cateora and Graham 2005: 10; Rugimbaba and Nwankwo 2003: 183-208; Quack 1995: 35-63; Griffin and Pustay 2003: 56-119; Proff 2004: 37-41) as seen in the following figure (B-7).

Figure B-7 Elements or Factors of International Marketing



The above figure illustrates the total environment of international marketing at a definite time, i.e. environmental factors, whether controllable, semi-controllable or uncontrollable, can change in due course as presented in most books, and which is, however, merely a myth. The inner shaded area depicts the controllable factors that constitute the marketer's decision area, the second circle shows semi-controllable factors where uncontrollable cultural factors of a foreign market come into play, and the outer area represents the factors of the foreign environment for each foreign market in which the company does business and can, and usually does, present separate problems involving these factors. Thus the more foreign markets a company operates in, the greater the possible variety of foreign environmental factors with which to contend. Frequently, a solution to a problem in country market A is not applicable to a problem in country market B. Finally, a marketing programme has to be designed for optimal adjustment to the uncertainty of the uncontrollable factors, whereas the inner shaded part represents the area under the control of the marketing manager.

Controllable factors

Controllable factors can be altered according to market conditions, corporate objectives and consumer demands [permintaan], needs and tastes. The outer area surrounding the marketing decision factors represents the levels of uncertainty created by the foreign environment. The marketing mix needs to be adapted according to these environmental factors. Controllable factors of marketing decisions lie within the company and are the four factors of the marketing mix: product, price, promotion and place (Bruhn

2001: 31-32). Even though these marketing principles and concepts are universally applicable, the environment within which a strategy is implemented varies from country to country.

It is widely accepted that the first element of the marketing mix, product, is the most critical of the 4Ps, as it defines the business in which a company is involved and therefore dictates the nature of pricing, promotion and distribution strategies to be applied in selling it in the relevant, here international, marketing environment. A product can be defined as a set of attributes that provides the purchaser with actual benefits (Kotler, Armstrong, Saunders and Wong 1997: 69-102). There are three layers of product attributes that lend themselves to a greater or lesser extent to standardization: (1) physical attributes, (2) service attributes and (3) symbolic attributes. Around a core product offering that is standardized worldwide, most global companies such as Coca-Cola or McDonald's customize when needed. Theodosiou and Leonidou (2003) found that quality, design and features were the most standardized product-related elements, while product lines, branding and packaging were at least partially adapted for foreign markets. The marketplace dictates the extent of modification, whether physical or psychological, and therefore by the same tokens the issues of adaptation and standardization (Elliot and Acharya 2003: 108).

According to Usunier and Lee (2005: 165, 248-255), the real issue is not a dichotomous choice, i.e. whether to adapt or to standardize completely. Usunier and Lee (2005: 249) argue that the performance of products has been found to be a combination of both adaptation and standardization strategies which one could describe as "glocal" to use the terminology of the earlier chapter on globalization. Product customization may also result in market differentiation, thus creating a competitive advantage vis-à-vis actual competitors, raising entry barriers for potential competitors (Usunier and Lee 2005: 248). Theodosiou and Leonidou (2003: 167) report that: "… international marketing strategy (whether standardized or adapted) will lead to superior performance only to the extent that it properly matches the unique set of circumstances that the firm is confronted by within a particular overseas market".

Pricing can be one of the more powerful weapons in a firm's competitive arsenal, since it is directly linked to corporate sales and profits. Pricing serves three interrelated objectives: (1) profits, (2) sales, and (3) market interactions. Price is a tactical tool in local markets and a strategic tool in the face of global competition (Usunier and Lee 2005: 324). Developing an appropriate international pricing strategy is therefore a vital but highly complex managerial discussion (Callow and Lerman 2003: 117). Indeed, managers judge international pricing to be among the most crucial decisions in their business practice (Backhaus, Büschken and Voeth 2005: 297; 301-302). Academic research in international pricing has focused on four main areas: (1) microeconomic issues (for example, price elasticity of demand), (2) export pricing issues (for example, price escalation), (3) internal pricing issues (for example, transfer pricing) and (4) consumer-oriented issues (for example, consumer preference prices) (Callow and Lerman 2003: 117). Problems which are seen in relation to international pricing are, particularly, those described in the next practical example as grey market phenomenon.[66]

Grey markets, or parallel importation, refer to authentic and legitimately manufactured trademark items that are produced and purchased abroad but imported or diverted to a country by bypassing designated channels (Ronkainen and van der Gucht 1987: 13). Grey marketed products vary from inexpensive consumer goods to expensive capital goods (Economist 1996: 65; Economist 1997: 61; Economist 1999: 72). The phenomenon in Indonesia is not restricted to imports but also takes place in export. That means, products which have a lower price in Indonesia are exported to other parts of the world and sold there for market prices. Indonesia has witnessed grey markets because of the low value of the Rupiah. Hong Kong and Singaporean wholesalers often found it cheaper to go to Indonesia to buy products and then resell them in their respective countries. Stabilo BOSS is a good example of a typical grey market product in that it carries a well-known trademark. Unauthorized importers buy Stabilo BOSS products in Indonesia at advantageous prices and then sell them to consumers in other parts of Asia. More and more companies are fighting back, for example, by advertising warnings to consumers against buying grey market products on the grounds that these products may be obsolete or worn-out models and that consumers might have problems with their warranties. Various conditions allow unauthorized resellers to exist. The most important are price segmentation and exchange rate fluctuations. Competitive conditions may require the international marketer to sell essentially the same product at different prices in different markets or to different customers (Cespedes et. al 1988: 75-82). The existence of the grey market is an example of the economic practice called arbitrage. In economics, arbitrage is the practice of taking advantage of a state of imbalance between two (or possibly more) markets: a combination of matching deals is struck that exploit the imbalance, the profit being the difference between the market prices. A person who engages in arbitrage is called an arbitrageur. Some products face significant parallel importation due to significant price differentials. In some cases these were reasons for the termination of a channel relationship when agreements were not honored by one party or because of lack of performance. These must be spelled out carefully because local courts are often favourably disposed toward local businesses. In some countries, termination may not even be possible (Czinkota and Ronkainen 2004: 362).

[66] http://www.antigreymarket.com (18 April 2005); http://willmann.bwl.uni-kiel.de/~gerald/awsem/wang.pdf (12 August 2005)

Of the various internal and external elements that shape a company's pricing strategy, culture has received perhaps the least attention. Usunier and Lee (2005: 316) conclude: "At first sight, price appears to be anything but cultural." And so price is often assumed to be an intrinsically objective element of exchange and an issue reserved for rational economic factors. There is a tendency to assume that pricing is primarily an economic issue that, in conjunction with quality, helps create value, and therefore culture is not a major determinant of pricing strategies (HS, lecture October 2004). Price is a more subjective element and it is a signal that conveys meaning. As such, it is perceived in quite different ways across cultures and among individuals.

Although the 4P component of place is a controllable element in the international marketing environment, it is closely related to infrastructure, distribution and technology, all of which are uncontrollable factors in international marketing. Promotion is the element of the marketing mix which helps to push the product through to the customer: (1) the distribution channels, (2) sales promotion, and (3) the sales force (Usunier and Lee 2005: 341-363). Place, that is distribution, is the element of the marketing mix which is most deeply rooted in culture, because it is closely related to everyday life and human relationships (Usunier and Lee 2005: 348). De Mooij and Hofstede (2002) suggest in that respect that cultural dimensions point to groups of countries likely to differ in their propensity to certain retail function. For instance, they suggest that one of the consequences of long-term orientation is being sparing with resources. This leads to a preference for picking merchandise up and may lead to lower acceptability of e-commerce. However, although the connection between long-term orientation and resourcefulness tends to be rational, the conclusion seems less so, as e-commerce and e-shopping behaviours are linked to internet access and secure payment methods.

For Indonesia, and Southeast Asia in general, the following observation tends to be more noteworthy. It seems that ties to culture and self-identification are so strong that this creates a barrier to newer distribution methods. Local consumers seem to remain faithful to their traditional distribution outlets for specific segments of consumption, precisely because of their traditional character (TD, interview December 2004). In Indonesia and Singapore it was observed that perishable goods such as fish, fresh fruit and vegetables and meat are still purchased through traditional stores. This led new market entrants, such as Carrefour, to modify their strategy and alter their product presentation in such a way that it represents the image of freshness sought after by consumers (own observation, October 2004).

This is reflected by the case study (Fionna 2003) on Airpork[67], chilled Australian pork that is air-freighted to Singapore, after it banned pig farming and pig imports from neighbouring countries due to

[67] http://www.airpork.com.sg/welcome-to-airpork.htm (2 January 2006)

the spread of viruses.[68] However, consumers continue to show a strong preference for pigs slaughtered on wet markets in Singapore in spite of the government's health requirements (1-3) according to which wet markets had been planned to be closed down (ibid 2003: 4). Dubbed "a story born out of disaster", the Airpork brand proved to be a huge success. Consumers were convinced, with the help of the Singaporean Health Promotion Board, that chilled and freshly-slaughtered air-freighted pork, named "Xian Bao" which means "Fresh Treasure", was superior to fresh pork (Fionna 2003: 5). However, and this has not aroused the interest of the case author, Singaporeans buy their Airpork on wet markets and show how deeply distribution is entrenched with culture.

The basic tenets of the marketing communication process are the same regardless of the cultural context. However, marketing communication in different cultures requires an understanding of the differences in the cultures and how such differences might impact on the marketing communications process. Usunier and Lee (2005: 409) argue that: "Advertising, which is based on language and communication, is the most culture-bound element of the marketing mix." Since advertising is largely based on language and images, it is influenced by culture. Cross-national differences continue to exist, for the simple reason that different languages have not yet ceased to exist. Moreover, language, whether verbal or pictorial, is the strongest link between advertisers and their potential audiences in marketing communications. Language is the key dimension of culture and it is through communication, especially spoken or written language and non-verbal language, that cultural contact occurs. Tacit issues such as colour association, sense of appropriate distance, symbols, time and status cues, gestures and body language make up the unspoken or non-verbal part of language. These cues impact on the marketing communication process, and they must be factored into marketing communications decisions (Daniels et al. 2002: 94-96). Advertising, which is a large part of marketing communications, is a field that is constantly changing. On the one hand it is closely dependent on the cultural and linguistic attitudes of the local target population. On the other hand, in so far as social representations are not fixed, advertising is a privileged method of cultural borrowing. It mirrors changing social behaviour (Usunier and Lee 2005: 411). However, regardless of culture, the basic tenets of the communication process remain the same. The marketer's message must be encoded, conveyed via the appropriate channel and decoded by the customer (Darley and Luethge 2003: 147).

Indeed, although major mistakes often occur in the marketing mix because the firm and its managers do not have an adequate understanding of the business environment, this fact seems not to have led to an automatic increase in international marketing research (described as a semi-controllable element of

68 The case study was presented by Jill Klein during INSEAD's executive education programme "marketing of consumer goods in Asia", Singapore, October 2004. It can be accessed via: http://www.insead.edu/inspire/issue_19/page2.htm (2 January 2006)

international marketing in Figure: Elements or factors of international marketing). The American Marketing Association (AMA) defines marketing research as:

> *"…the function that links the consumer, customer, and the public to the marketer through information – information used to identify and define marketing opportunities and problems; to generate, refine, and evaluate marketing actions; to monitor marketing performance; and to improve understanding of marketing as a process." (http://MarketingPower.com, 19 May 2005)*

This very broad statement highlights the fact that research is the link between marketer and market, without which marketing cannot function. This fact is also reflected in the orientation of articles published in key research journals (Czinkota and Ronkainen 2004: 186; Malhorta et al. 1999: 160-183). The tools and techniques of international marketing research are said by some to be exactly the same as those of domestic market research, and only the environment differs (Cravens and Piercy 2004: 144-151; Kotler et. al 1996: 244-246).

This is why marketing textbooks usually present research as a controllable element. However, the environment is precisely what determines how well the tools, techniques, and concepts apply to international markets (Kotler et. al 1996: 244; Jain 1990: 334-339) and this is why it is presented contrary to established theory as a semi-controllable element. Although the objectives of marketing research may be the same, the execution of international research may differ substantially from the process of domestic research. Kotler (1996: 244) notes: "Consumers in different countries also vary in their attitudes toward marketing research." In Indonesia people may feel too embarrassed to talk with researchers about their choice of certain products or Indonesians in rural areas are not able to respond because of high functional illiteracy rates. Furthermore middle-class people in developing countries often make false claims in order to appear well-off (Kotler et. al 1996: 244; IW, interview November 2004; SL, interview October 2004; HS, lecture October 2004). Thus, major challenges in international marketing research are the complexity of research design due to environmental factors, the lack and inaccuracy of secondary data, time and cost requirements to collect primary data and the difficulty in establishing comparability across multi-country studies (Kotabe and Helsen 2004: 176-177). As a result, entirely new tools and techniques may need to be developed (Czinkota and Ronkainen 2004: 188).

Political and legal forces, economic climate, competition and of course cultural forces, as well as infrastructure and technology, are the environment in which the company markets its products and/or services and the factors which have a direct effect on the success of a foreign venture. In addition to uncontrollable factors such as legal and political as well as economic factors, a significant source of uncertainty is the uncontrollable element of culture. Obviously, some uncontrollable factors, such as political and legal forces do not only apply in foreign environments but also in domestic market environments, for example when a home market government restricts the export of certain goods or imposes exports to certain countries in general (Czinkota and Ronkainen 2004: 236). However, in most cases uncontrollable factors must be dealt with intensively outside home markets as companies undoubtedly feel more comfortable in forecasting the business climate and adjusting business decisions to legal and political forces in their home country (Cateora and Graham 2005: 178-208).

Political factors

Dynamic upheavals, as one has seen in Indonesia since 1998, illustrate problems of dramatic change in political, legal, social and economic climate (Lee 1999: 12-40; Ricklefs 2001:387-421; Wie 2002: 194-243; Manning and van Diermen 2000: 1-11; Simanjuntak 58-76; Booth 2000: 145-162; Strauss et al. 2004: 1-5). In this transitional phase, confusion prevails as to what rules are applicable, still in force and by whom they are interpreted (IW, interview November 2004; SL, interview October 2004; DT interview December 2004). This is why for many firms the standard first question about a country concerns political risks, the danger that political upheaval will change the nation's economic rules and regulations overnight (Johansson 2000: 97). Companies fear unpredictable change even as they seek profit from the opportunities change creates, such as newly privatized industries in Indonesia. If the risk is deemed unacceptable, as was the case in Indonesia in the eyes of many investors, the investment project is discontinued in favour of FDI elsewhere. Kobrin presents four levels of political risk factors which range from general instability (revolution, external aggression) to expropriation (nationalization, contract revocation) (Kobrin 1979: 67-80). However uncomplicated this classification may appear, political risk assessment (PRA) is a broad and diffuse concept that sits at the intersection of politics, economics, sociology, and finance (Harvard Business School 1997: 1). Two distinct modes of analysis, quantitative and qualitative, have been developed to assess this risk.

Quantitative analysis is primarily the terrain of think tanks and academic groups, whereas qualitative analysis remains the purview of country experts. Quantitative analyses of political risk assume essentially that political events manifest themselves in a discernable pattern. The increase in local strategies, that is a higher involvement in foreign markets, again makes PRA an indispensable foundation of successful MNCs, as for local strategies the dimensions of political risk (government, society, security, economy) need to be minimized. This is particularly true for emerging markets, such as Indonesia, which generate greater shares of global supply and demand today (Bremmer 2004: 2). There are three principal reasons for this.

First, international markets are more interconnected than ever before (Dicken 2003: 32-81). For example, in 1997 capital flight from Southeast Asia roiled markets around the world (Draguhn 1999; Berger 2000;

Resinek 2000; Hozumi and Wohlmuth 2003; Hunter 1999; Goldstein 1998; Henderson 1998). Second, the off shoring trend is growing. Businesses shift operations to countries where labour is cheap, but the labour is cheap for a reason. In countries such as Indonesia, living conditions for the working class can be harsh, and there is greater threat of unrest than in developed countries with their large, relatively prosperous middle class. Third, the world is increasingly dependent on energy from states troubled by considerable political risk. The dimensions of PRA explain that governments affect almost every aspect of business life in a country (Kotabe and Helsen 2004: 133). The major problem is the lack of political stability and continuity, and this portends a high level of uncertainty in the business climate. The number of political parties also influences the level of political stability. Indonesia, with its multiple-party system without any clear majority, offers an extreme situation, as the consistency of government policies may be compromised as a result. Besides the national political system, foreign businesses have to pay attention to the local government structure, too. Some governments are very weak and hardly have any control at the local level (Brodjonegoro 2004:125-140). For example, Indonesia, whose government used to be very centralized, has steadily been releasing power to local communities (see for example: Bach 2003; Bünte 2003). This means that foreign businesses now have to deal with local government and political systems in each of its 32 provinces (Jakarta Post 2002a).

Political risk analysts, too, study the percentage of children who regularly attend school, how police and military salaries compare with criminal opportunities, and how much access to medical care is available in towns of 10,000 to 50,000 people (Bremmer 2004: 6). They look at such statistics as the unemployment rate for people between the ages of 18 and 39 and determine how many of them are in prison. And, of course, they add economic variables to the mix: per capita income, balance of payments, and national debt. Taken together with the legal system (the next environmental factor to be discussed) this information reveals much about a country's underlying sources of strength and vulnerability. The topic area of PRA also includes another environmental factor, namely the legal system. PRA literature argues that instead of trying to measure the independence of a nation's judiciary, for example, analysts can determine whether judges in a particular country are paid a living wage, whether funded programs exist to inform them about new legislation, and whether and how often they are targeted for assassination.

Legal factors

Legal systems and the laws they create differ dramatically in countries around the world and business faces a myriad of legal issues every day. Questions relating to such issues as pricing policies and production practices must be clearly answered in order to avoid litigation and punishment. In countries with banks which follow Islamic law, it is illegal to charge interest. In Indonesia, for example, credit card companies such as Visa and MasterCard receive collateral assets - such as jewellery which they can sell -

from card users instead of charging interest (IS, interview October 2004). The protection of intellectual property rights is a special problem of the legal forces in international marketing. Failure to protect intellectual property rights adequately in the world marketplace can lead to the loss of legal rights in potentially profitable markets (Cateora and Graham 2005: 191). Many companies have found their assets appropriated and profitably exploited in Indonesia without licence or reimbursement (SL, interview October 2004). Of course, legal issues face a business whether it operates at home or in a foreign country. However, the issues abroad are often amplified by the “alien status” of the company, which increases the difficulty of properly assessing and forecasting the dynamic international business climate. The alien status of a business means that, when viewed as an outsider, it can be seen as an exploiter and receive prejudiced or unfair treatment at the hands of politicians or legal authorities, or both. This often seems to be the case in Indonesia (FAZ 2005d: 7). Political activists can rally support by advocating the expulsion of foreign companies, often with explicit or tacit approval of authorities.

Furthermore, in a domestic situation, political details and the ramifications of political and legal events are often more transparent than in some foreign countries. This is true for Indonesia, where market forces continue to be monopolistic and local tycoons interfere by lobbying (Chua 2006: 5-15). Legal systems in Indonesia are still evolving and corruption may prevail, foreigners may receive unfair treatment, or laws are misinterpreted. The point is that a foreign company is foreign and thus always subject to the political whims of the local government to a greater degree than a domestic firm.

Economic factors

The economic level of a country is the single most important uncontrollable environmental element to which the foreign marketer must adjust the marketing task (Cateora and Graham 2005: 244-275; Czinkota and Ronkainen 2004: 88-129; Johansson 2000: 96-123). The stage of economic growth within a country affects the attitudes toward foreign business activity, the demand for goods, the distribution systems found within a country and the entire marketing process. In static economies, consumption patterns become rigid, and marketing is typically nothing more than a supply effort (Cateora and Graham 2005: 244). In a dynamic economy, however, consumption patterns change rapidly. Marketing is constantly faced with the challenge of detecting and providing for new levels of consumption, and marketing efforts must be matched with ever-changing market needs and wants.

The current level of economic development dictates the kind and degree of market potential that exists, while knowledge of the dynamism of the economy allows the marketer to prepare for economic shifts and emerging markets. Economic development is generally understood to mean an increase in national production which results in an increase in the average per capita gross domestic product (GDP). Besides an increase in average per capita GDP, most interpretations of the concept also imply a widespread distribution of increased income. Economic development, as commonly defined today, tends to mean rapid economic growth and increases in consumer demand improvements achieved in decades rather than centuries.

Proff (2003: 36-40), for example, sees a correlation between GDP per capita and private cars per capita and sees a GDP per capita of US$10,000 as critical to be able to purchase a private automobile in Brazil, Taiwan and Mexico. Karmokolias (1990: 3) shows similar figures. Discussions in Indonesia and Malaysia have shown the same figure, however, the limit of US$ 10,000 seems to be getting lower due to the increasing availability of consumer credit in Indonesia (own observation, Jakarta, September 2004; DM, interview 2004).

Infrastructure

One indicator of economic development is the extent of social overhead capital, or infrastructure, within the economy. Infrastructure represents those types of capital goods that serve the activities of many industries (Czinkota and Ronkainen 2004: 22-29, 106-108). Paved roads, railroads, seaports, communications networks and energy supplies, (all of which are necessary to support production and marketing) are included in a country's infrastructure. The quality of infrastructure directly affects a country's economic growth potential and the ability of an enterprise to engage effectively in business (Cateora and Graham 2005: 251). Infrastructure is a crucial component for the uncontrollable factors facing marketers (Czinkota and Ronkainen 2004: 106). Without adequate transportation facilities, for example, distribution costs can increase substantially, and the ability to reach certain segments of the market is impaired (RD, interview December 2004). Infrastructure includes the presence or absence of financial and commercial services, such as agencies, warehousing storage facilities, credit and banking services, market research agencies and quality-level specialized middlemen (Cateora and Graham 2005: 253). Generally, the less developed a country is, the less adequate the infrastructure is for conducting business. Companies, as one can see in the case of Indonesia, do market in less-developed countries but it is often necessary to modify offerings and augment existing levels of infrastructure (RD, interview December 2004).

Although some publications such as (Czinkota and Ronkainen 2004: 21-29) pay significant attention to the study of geography in the context of international marketing, the discussion of geography related to characteristics of a place and its natural attributes such as terrain, hydrology and climate will not be included in this study as its focus is on cultural forces. Additionally, the competitive arena, that is, competitive forces in Indonesia, as an uncontrollable environmental factor, will be discussed briefly with the mode of entry (i.e. the ways in which a company can enter a given country's markets) (Johansson 2001: 41-45). As reviewed, the uncertainty of different foreign business environments creates the need for a close study of the uncontrollable elements in international marketing. To adjust and adapt a marketing strategy and its implementation in a foreign market, marketers must be able to interpret effectively the influence and impact of each of the semi- and uncontrollable elements in the marketing programme.

B.4.2 Ethnocentrism and other problems facing international marketers

Individuals are subject to interpretation of new situations in processes such as communication, decision-making, and subconsciously tend to use their own thought patterns which are moulded by their own culture. Problems occur if this automatic reflex is used in new situations in foreign cultural environments and if experiences are carried forward which cannot be applied to this environment (Jeannet and Hennessey 1995: 95). In a domestic market, the actions and reactions in the cultural environment are automatic as the marketer is part of this culture and acts responsively to the domestic cultural setting (Johansson 2001: 60-62). The socialisation of the marketer serves as the basis for behaviour. In a foreign market, the task of cultural adjustment is more challenging and problematic as marketers are usually neither attuned to cultures different from their own, nor deal in unfamiliar settings and frames of reference. Judgements are derived from experience which is the result of acculturation in the home country. Differences must be learnt to avoid misunderstandings which can lead to marketing failures (Haig 2003: 3-4). Therefore, cultural conditioning will only be successful when marketers guard themselves against measuring and assessing markets against values and assumptions in their own cultures. In this context one needs briefly to discuss two obstacles to successful cultural conditioning.

The self-reference criterion (SRC) and an associated ethnocentrism are primary obstacles to cultural conditioning. SRC is an unconscious reference to one’s own cultural values, experiences, and knowledge as a basis for decisions (Deresky 2006: 87). Lee (1966: 107) defines the SRC as an “unconscious reference to one’s own cultural values”. Closely connected is ethnocentrism, that is, the notion that one’s own culture or company knows best how to do things (Cateora and Graham 2005: 15; Deresky 2006: 87). Ethnocentrism and SRC are two separate phenomena. Ethnocentrism is more extreme than the SRC (Dahringer and Mühlbacher 1991: 171). It is an exaggerated tendency to think that the characteristics of one’s own group or race are superior to those of other groups or races (Drever 1952: 86). This leads to an intensive identification with its own culture and the tendency to devalue everything alien and unknown (Cateora 1993: 116). Ethnocentrism does not only affect concepts of research but also the data collection, data analysis and presentation of research results (Hofstede 1980b: 33). In order to avoid an ethnocentric attitude, “intercultural” procedures are to be used (Hofstede 1980b: 32). Cateora (1993: 101) claims:

> *"A marketer must always be aware and be ready to resist the presence of his or her ethnocentrism in the study of others. The more exotic the situation, the more sensitive, tolerant, and flexible one needs to be." (Cateora 1993: 101)*

The same, of course, is true for the SRC (Dahringer and Mühlbacher 1991: 171). Both the SRC and ethnocentrism impede the ability to assess a foreign market impartially and in its true light. To illustrate the impact of SRC, one can consider misunderstandings that can occur about personal space between people of different cultures. In Germany, unrelated individuals keep a certain physical distance between themselves and others. In some cultures, such as Indonesia, the acceptable distance between individuals is substantially less than that which is comfortable for the average German. Germans assume Indonesians might be pushy due to the short physical distance, while Indonesians assume Germans are unfriendly. Both react according to the values of their own SRCs. Understanding and dealing with the SRC are two important facets of international marketing, as both ethnocentrism and SRC can influence an evaluation of the appropriateness of a domestically designed marketing mix for a foreign market. Relying on one's SRC can produce an inadequately adapted marketing programme that ends in failure.

Unilever, appreciating the uniqueness of its markets, repackaged and reformulated its detergent for Indonesia. One reason was the lack of washing machines among most of its Indonesian customer base that made a simpler soap formula necessary. Also, since people in rural areas wash their clothes in rivers, the powder was packaged in plastic rather than paper so it would not get soggy. Finally, because Indonesians are price conscious and buy in small quantities, the soap was distributed in small, low-priced packaging.[69]

Even McDonald's modifies its traditional hamburgers in Indonesia. In Indonesia McDonald's is "halal": it has the halal-sign on its food, on its publicity and on the certificate from the leaders of Islam to pronounce that the meat was bled properly.[70] Then there is McDonald's chilli sauce, an essential part of Indonesian cuisine, and the "McRice" and "AyamGoreng McD" meals. An addition to the area in the centre of the restaurant, where the tables and chairs make room for six-inch high tables and floor mats, enables visitors to consume "Big Macs" in their favourite manner. McDonald's has certainly learned to adapt to the public mood. If employees at one McDonald's in Indonesia see protesters headed their way, they unfurl a green banner that says, "This

[69] http://www.trendwatching.com/trends/sachet_marketing.htm (21 September 2005) http://www.springwise.com/newbusinessideas/2003/12/sachet_marketing.html (12 August 2005) http://www.pcij.org/i-report/1/mini-size.html (12 August 2005)
[70] http://www.halalmui.or.id/?module=static&act=view&id=16 (12 August 2005)

store is owned by a Muslim, Bambang Rachmadi". Rachmadi is the owner of the national franchise for McDonald's, and his managers are instructed to present a picture of him and his wife in full Muslim dress.

In each of these examples, had the marketers' own self-reference criteria been the basis for decisions, none of the changes would have been readily apparent, based on home-market experience. Although it is almost impossible for someone to learn every culture in depth and to be aware of every important difference, an awareness of the need to be sensitive to differences and to ask questions when doing business in another culture can help to avoid many of the mistakes possible in international marketing. To avoid errors in business decisions, it is necessary to conduct an inter-cultural analysis. Cultural differences lead to country- or region-specific applications of goods. From this perspective, cultural competence in international business plays a central role and "must be recognized as a key management skill" (Czinkota and Ronkainen 1998: 64). The often substantial cultural differences between various country markets form the basis of this practice. Such cultural differences stem from regionally diverging value systems, such as language, symbols, and customs which impact on the behaviour of customers. The local strategy approach emphasizes the significance of national or regional market characteristics, and consequentially the need for a regional adaptation of marketing activities: "Overseas success is very much a function of cultural adaptability: patience, flexibility, and tolerance for others' beliefs" (Czinkota and Ronkainen 2005: 63). Standardisers, on the other hand, stress the opportunities provided by a unified approach to products and processes, to maximize scale advantages. The subsequent chapters on how local culture influences consumer behaviour [perilaku konsumen] in Indonesia, make comprehensible why an increasing number of multinationals adopt local approaches when entering emerging markets. Before this, however, the risks which international involvement brings with it, should be described.

B.5 DEVELOPING GLOBAL MARKETING STRATEGIES: RISKS AND ORGANIZATIONAL MATTERS

B.5.1 Determining the risks

In crossing national borders, a firm encounters parameters not found in domestic marketing and may expose itself to an unfamiliar cultural environment. Examples include duties, foreign currencies and changes in their value, different modes of transportation, international documentation, etc. A company that has only done business domestically will have had little or no prior experience of these requirements and conditions (Johansson 2000: 72-73). But these parameters do not pose the biggest threat. In short, due to geographical expansion, companies are faced with issues such as higher information demand, higher risk, higher significance of operations research and higher coordination demand (Wißmeier 1992: 47), so assumptions formulated over the years in the domestic market must be re-evaluated.

Given the less (or completely un-) familiar market conditions and general business framework, the development of new country markets requires a high level of additional information. In some cases, this information is extremely difficult to obtain. The cultural specifics of the country markets, and an adequate consideration of their practical implications, constitute yet another need for information in the context of internationalization. For corporate decision-making purposes, in many instances only personal experience and knowledge are really useful (Kobrin: 1984); this requires the immediate presence of management on location (Meffert and Althans 1982: 24; Berekhoven 1985: 20; Kulhavy 1989: 5; Meffert and Bolz 1994: 23; Quack 1995: 10).

Market research provides information for the identification, evaluation, and comparison of potential foreign market opportunities and market selection (Czinkota and Ronkainen 2004: 190-192; Cateora and Graham 2005: 210-241; Johansson 2000: 99-102). To make a justifiable case for allocating resources to international market research, management must understand what the value of research will be. A decision may be determined by applying the following equation: $V(dr) - V(d) > C(r)$; $V(dr)$: value of decision with benefit of research; $V(d)$: value of decision without benefit of research and $C(r)$: cost of research. (Czinkota and Ronkainen: 2004: 190). An increased level of business risk is closely associated with the problem of cross-border informational needs. If little information is available, uncertainty rises as to the outcome of business activity (Kuhlhay 1989: 5).

Companies that are active in several independent country markets simultaneously need to co-ordinate their national activities in a reciprocal process. This includes the problem of allocating scarce resources optimally, with respect to the various relevant countries, financial and management capacity, for example. Management capacity that is allocated to one country is no longer available for another, thus, resource allocation automatically creates reciprocal interdependence in country-specific markets (Meffert and Althans 1982: 24; Berekhoven 1985; 21; Wißmeier 1992: 47; Meffert and Bolz 1994: 23; Quack 1995: 11; Terpstra and Sarathy 1991: 6). As a result of the specific characteristics of cross-border marketing, entry into new markets increases the complexity and degree of differentiation of managerial and marketing tasks. In this context, the emphasis is placed on the particular significance of decision-making and preparatory process, as well as on the unique challenges devolving on managers, and their capabilities (Berekhoven 1985: 21; Kulhavy 1989: 5; Wißmeier 1992: 47).

B.5.2 International strategies

Participation in the international marketplace is increasingly within the grasp of many firms both large and small (Czinkota and Ronkainen 2004: 225). Research has found that firms which export, grow faster, are more productive, and equally importantly, have employees who tend to earn more (Demos 2006: 48-49). On the way to market expansion, there are several strategies for the internationalization activities.

Most firms start their international involvement with exporting and gradually internationalize, for example by licensing agreement, franchising, or FDI ventures (Kotabe and Helsen 2004: 14-17). Major concerns and preoccupations are linked to these different strategies. Basic stimuli are in most cases economic factors, such as scale effects, synergies and of course higher revenues, but can also be competition pressures or tax benefits (relief) which originate in countries providing exporting firms with certain tax mechanisms.

Export strategies

Companies which export generally use one or more of the following distributions systems, i.e. stages of international activities. The firm can sell directly to customers through its own sales force or through electronic commerce or, as in most cases in Indonesia, the company operates through independent intermediaries, usually at the national, regional or local level (DT, interview December 2004). However, the use of intermediaries will automatically lead to loss of some control over the marketing of the firm's products (Czinkota and Ronkainen 2004: 342) and the more difficult it becomes to control pricing, promotion and place. In the initial stages of internationalization or specific market entry, an intermediary's specialized knowledge and working relationships are needed, but as exporters' experience base and sales in the market increase, many opt to establish their own sales offices or own production facilities (Kotabe and Helsen 2004: 507-508). The issue of control correlates heavily with the type of product or service being marketed, as seen in interviews conducted by the author. The exercise of control causes more incidents of conflict than any other activity in the relationship (Czinkota and Ronkainen

2004: 343-344). Particularly in emerging markets with diverse cultural settings, the screening of potential intermediaries' candidates has proven difficult (DM, interview December 2004; IW, interview November 2004). Firms that have successful international distribution intermediaries attest to the importance of finding top representatives (World Trade 1999: 86-87). As literature shows, the screening of candidates' reputations is a difficult task. The financial standing, cash flow and the ability to support its operations without outside help are some of the most important criteria. However, financial reports are not always complete or reliable, or they may lend themselves to misinterpretation (RA, interview August 2004). Many Indonesian intermediaries lack adequate capital - a situation that can lead to more time spent managing credit than managing marketing strategy. Sales are another excellent indicator, as well as the distributor's existing product lines which need to be analyzed along four dimensions: (1) competitiveness, (2) compatibility, (3) complementary nature and (4) quality. Some distributors in Indonesia are interested in enhancing their own standing in carrying as many products and product lines as possible, but they have the time and willingness to sell actively only those that bring the best profit (RA, interview August 2004). The distributor's market coverage must be determined, too, particularly in a country like Indonesia where more than half the population lives outside the main island of Java. In today's marketing environment, being close to customers, whether the final consumer or distributor, and solving their problems, is vital to bringing about success (DM, interview December 2004; IW, interview December 2004).

In addition to exporting, licensing and franchising are alternatives open to and used by all types of firms, large and small (see on franchising models and franchisees in Indonesia, Appendix 1, Figure 299-305). They offer flexibility in the international approach, reflecting the needs of the firm and the circumstances in the market (HaS, interview December 2004). "We export our high-end lifestyle products, such as the sport shoes to our Indonesian retail partner MAP, but at the same time, give him a license to produce lower-end T-shirts. However, we monitor this licensing agreement strictly as our brand shall not be diluted" (IW, interview December 2004). The key issues in negotiating licensing agreements include the scope of the rights conveyed, compensation, licensee compliance, dispute resolution, and the term and termination of the agreement.

Licensing strategies

Under a licensing agreement, one firm, the licensor, permits another to use its intellectual property in exchange for compensation designated as a royalty. The recipient firm is the licensee. In the case of the Puma licence, the local partner is allowed to produce T-Shirts with the Puma brand under strict control of the licensor. Licensing has intuitive appeal to many potential international marketers. As an entry strategy, it may require neither capital investment nor knowledge and marketing strength in foreign markets (Kotabe and Helsen 2004: 273-275). Licensing reduces risk of exposure to government intervention in that the licensee is typically a local company that can provide leverage against government action (IW, interview December 2004). However, licensing agreements are often not unproblematic (IW, interview December 2004; SL, interview December 2004). This is especially true for countries like Indonesia, where for example, in the case of branded products, goods and services, no legal status for trademarks has been secured. In instances of high levels of piracy, a licensing agreement with a strong foreign partner may also add value because now the partner becomes a local force with a distinct interest in rooting out unlicensed activities. The rights conveyed are product and or patent rights. Licensing as well as franchising can both be used in lieu of or in addition to the export strategy. Licensing is particularly interesting for small firms and offers them expansion without much capital investment (Czinkota and Ronkainen 2004: 237). A multi-national corporation may use the same strategy to enter foreign markets rapidly in order to take advantage of new conditions and foreclose market opportunities to its competition. Another set of options consists of franchising and FDI, as well as the latter's sub-category, such as Joint ventures (JV) and management contracts.

Franchising strategies

In franchising, a parent company, the franchisor, grants another independent entity, the franchisee, the right to do business in a specified manner (Kotabe and Helsen 2004: 275-277). This right can take the form of selling the franchisor's products or using its name, production, preparation and marketing techniques, or its business approach. The major forms of franchising are manufacturer-retailer systems (for Indonesia, see Appendix 1, Figure 299-305) (HaS, interview December 2004), manufacturer-wholesaler systems (Coca-Cola) and service firm-retailer systems (McDonald's, KFC, Breadtalk[71]) (for Breadtalk franchise system, see Appendix 1, Figure 20-21, 299-305). The typical reasons for the international expansion of franchise systems are market potential, financial gain, and saturated domestic markets. From a franchisee's perspective, the franchise is beneficial because it reduces risk by implementing a proven concept. This is especially true for Asian markets where indigenous brands have not yet developed (HS, lecture October 2004). Franchising agreements are usually beneficial from a government perspective, which is one reason for their success in overly regulated markets. From a recipient-country view, franchising requires little outflow of foreign exchange, and the bulk of the profit generated remains within the country. Despite all its benefits, franchising also encounters problems. The great degree of standardization involved in franchising due to the transferred know-how can prove to be a risk factor and localization is needed. McDonald's in Indonesia demonstrates that standardization of franchising does not mean 100 percent uniformity. Adjustments are made in order to take local market conditions into account. Key to success is therefore the development of a franchising programme that maintains a high degree of reconcilability and efficiency benefits while being responsive to local cultural

[71] http://www.breadtalk.com/franchise.htm (21 January 2006)

preferences. Another key issue is the protection of the total business system that a franchise offers. Once a business concept catches on, local competition may emerge quickly with an imitation of the product, the general style of operation and even with a similar name (Breadtalk and Breadstory in Indonesia) (own observation, Jakarta 2004).

Linking the various components and strategies discussed so far, facilitates an understanding of the process that a firm undergoes in its internationalization efforts. It has been made clear that firms do not become experienced globalists overnight but rather progress gradually through an international development process.

B.5.3 Organizational theories of MNCs

The issue of global strategy is closely associated with organizational theory in management literature (Kotler, Ang, Leong, Tan 2003: 400-401). The configuration of international activities forms a structure of various organizational sub-units and their geographic location (ibid: 26-27, 56-57). Corporate activities, the degree of concentration in certain areas, and the extent of centralization of decision-making structures can be spread over various markets. The importance of the level of centralization has led to the development of distinct forms of international organization (Cateora and Graham 2005: 337).

Multinational enterprises form strongly decentralized and largely independent national units. The objective of this configuration is to improve on the ability to recognize and exploit different regional or national market opportunities through adaptation to the specific needs of national markets. This approach is usually accompanied by a strong differentiation of regional or national marketing policies. In this sense, multinational enterprises are characterized by pursuing the marketing advantages of differentiation. Global enterprises pursue a world-market orientation and the greatest possible degree of decision-making and operational centralization. Marketing operations are largely standardized, so that national units have the character of executive organs in the sense of carrying out strategies developed at headquarters for global importance. The objective of this configuration is the maximum exploitation of economies of scale throughout the organization. Thus, truly global enterprises strive relentlessly towards efficiency based on standardization. International enterprises constitute mixed forms of the above two extreme types. Certain responsibilities and decisional structures are delegated to national units. Enterprises of this kind strive towards an appropriate balance between economic marketing efficiency and a broader effectiveness.

These organizational types (multinational, global and international) differ according to the degree of centralization and emphasis on either efficiency or effectiveness. However, Bartlett and Ghoshal (1990) found that striving towards effectiveness and efficiency are not mutually exclusive. They suggest an additional organizational type, the transnational enterprise, which combines the advantages of the market proximity (differentiation) and size (standardization). However, the idea of a transnational enterprise presents many weaknesses (Dähn 1998: 123; Kreikebaum 1996: 115) and has limited success (RA, interview August 2004).

A company's global strategy is deeply embedded in its outlook on and attitude towards the world. This global view- a vision for its markets- is linked with a firm's international marketing approach. Once a company has achieved a certain level of development in foreign markets, one can differentiate certain views. They are dependent on four different perspectives: ethnocentrism, polycentrism, regio-centrism and geocentrism (Perlmutter 1969). Two of these (ethno- and geocentrism) are somewhat irreconcilable. In terms of set theory, the domestic market is perceived as disjointed from foreign markets.

Ethnocentric companies view international operations as secondary to their domestic operations. A company that considers its national base as its top priority will impose its own language on its foreign subsidiaries. It will supply the domestic market first when production capacity is overstretched. It will never invite a non-national on to the board of directors unless this person shares the company's native language and culture.

Conversely, a geocentric company, which considers its domestic market as belonging to the world market in the same way as any other domestic market, will make the opposite choices. Sheth and Parvatiyar (2001: 21) argue in this respect that the determinants of international marketing cycles i.e. political stability, government policy, ideology-driven economy, and fear of colonialism, marketing transfer issues, lack of infrastructure, North-South dichotomy, East-West dichotomy and product life, are gradually declining. A geocentric perspective is dependent on a truly borderless world. Regio-centrism and polycentrism are more moderate perspectives. A regio-centric company is more open to global marketing than an ethnocentric one. But this perspective also recognizes that regional marketing strategies may be necessary to better meet customer needs. Malhorta et al. (1998) argue that cultural factors will strongly inhibit the development of a homogenous market. Finally, a polycentric company recognizes differences which may need to be accommodated for by localized marketing policies and programmes. When companies distance themselves from an ethnocentric attitude and adopt one of the other perspectives, by virtue of their management style and corporate culture, they develop genuinely offensive and defensive marketing strategies in foreign markets. The following table (B-1), which completes the theoretical introduction to marketing, juxtaposes world view, marketing orientation, advantages and disadvantages.

Orientation/ World View and Organizational Structure	Marketing Orientation	Locus of Decision	Key Advantages	Key Disadvantages	Corporate Example
Ethnocentric world view (Companies with export department). Major market-entry method. If the firm moves into joint ventures or direct investment, the export department will no longer be adequate to manage international operations.	Domestic market orientation	Standardized and centralized marketing based on domestic market	High degree of control	No responsiveness to foreign consumer needs.	Boeing
Polycentric world view (multinational companies)	Host country orientation. Local standards and barriers, strong local preferences.	Non-standardized, decentralized local marketing. This strategy is warranted when the forces favouring national responsiveness are strong, and the forces favouring global integration are weak.	Country managers (specialists) with full operational responsibility. Day-to-day market contact. Flexibility.	Sub-optimal use of synergies due to local responsiveness	Unilever is a better performer than Kao because Unilever grants more decision-making autonomy to its local branches.
Regio-centric world view (Companies involved in several markets create international divisions to handle all international activities. Operating units can be organized in geographical organizations, international subsidiaries or world product groups)	Country group orientation	Standardized regional marketing	Regional managers with regional operational responsibility.	Regions, such as Asia are very diverse. Sub-optimal responsiveness to consumer demands.	BMW
Geocentric world view (global companies) Corporate management and staff plan worldwide manufacturing facilities, marketing policies, financial flows, logistical systems.	Global orientation Capital-intensive production, homogenous demand	Standardized and centralized global marketing. This strategy treats the world as a single market.	Experts at company HQ. High degree of centralization. Economies of scale.	Sub-optimal strategies due to global integration of markets. Organizationally very complex.	Only a very few companies are truly global in their decisions. This approach is common for industrial goods and luxury goods companies, such as Louis Vuitton.

Tabel B-1 Orientation and organizational structure

B.6 THE IDEA OF THE GLOBAL CONSUMER: AN OLD DEBATE AND A NEW VIEW

"Globalizing influences have bored intercultural tunnels around the world, but core meaning systems such as those wrapped up in the idea of the family, continue to differ significantly." (Applbaum and Jordt 1996: 207)

Summary In an endeavour to complete the description of the effects of globalization processes on companies and their strategies (discussed in the previous sections of this chapter), this section puts the consumer at the centre. For one, various segmentation variables are presented, (i.e. how companies act when they are faced with segmenting a market). In this context a psychographic segmentation analysis will be discussed for Indonesia, on the basis of which the pitfalls of studies largely based on western parameters are highlighted. From a discussion of the role of global brands in a seemingly global consumer culture, a transition will be made to vivid examples (shown in the next chapter), which will serve to clarify how and why companies are thwarted if they make globally unified thinking and culturally convergent consumers the target of their concerted efforts.

B.6.1 Theoretical starting points

It is necessary to recapitulate that in the 1970s the argument in international marketing was coined as "standardization versus adaptation" whereas in the 1980s it was "globalization versus localization", and in the 1990s it was "global integration versus local responsiveness" (Cateora and Graham 2004: 315; Holt, Quelch and Taylor 2004: 1). As advocated by Levitt (1983), and then continually repeated, rephrased and promoted by many other authors in the area of international marketing, one would see the emergence of a global market for standardized consumer products on a previously unimagined scale, described by many as "economics of simplicity". In Levitt's (1983: 97) words it would not be a matter of opinion but of necessity. Traditional differences in national tastes would disappear, while local consumer preferences and national product standards would become vestiges of the past as modernization would stifle and repress religious and cultural influences and would finally give rise to the rational consumer worldwide. In the interim, the idea of the existence of a rational global consumer is widely disputed. The reasons cited in literature for consumers becoming similar, take shape in three hypotheses which will briefly be discussed in the following paragraph.

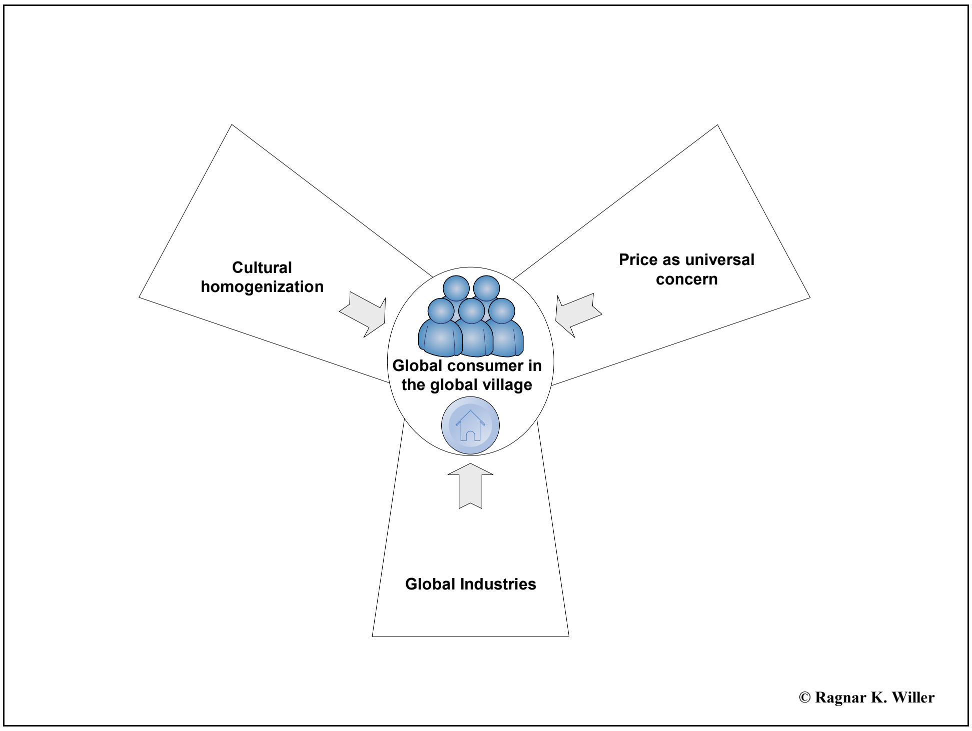
The first reason is the "strong ideology of standard" (Usunier and Lee 2005: 120). Supply and competition are now largely globalized, with the progressive shift from domestic industries operating in national markets protected by non-tariff barriers, to global industries. For some, this alone is enough to explain a large part of the globalization of consumption. What dominates the global consumption debate in this respect is the utilitarian and materialistic factor: people strive for a large quantity of fair-quality, low-cost products (Levitt 1983: 3). Thus the global products philosophy is characterized by a lack of consideration for meanings invested by consumers at the local level (Arnould, Price and Zinkhan 2004:

73-118). This is because price is believed to be a universal concern (second reason) and low-cost arguments make sense. The implication is that consumers worldwide experience benefit maximization exclusively via price reductions. This economic view does not, however, reflect the complex reality, in which the consumer includes a multitude of factors in the purchasing-decision. There are non-utilitarian reasons for consumer behaviour, and cultural diversity at the international level are a reality. Bermingham (1997: 13) adds:

> *"In fact it has been the failure to [exclude culture] which has resulted in the purely economist accounts of consumption …"(Bermingham 1997: 13)*

Lee (1993: xiii) summarizes: "… consumption is the social activity which, above all others, unites economy and culture". The simplistic, purely economic viewpoint of Levitt (1983: 3), that globalization processes lead to cultural homogenization, (and therefore worldwide to identical wishes, attitudes and preferences [third reason]) is contradicted by Belk (1982), Bronner (1983), Felson (1976), Furby (1978), Graumann (1974), Hirschman (1980), Holman (1980), Leiss (1983), Levy (1978), McCracken (1985), Prown (1982), Quimby (1978), Rodman and Philbert (1985), Schlereth (1982) and Solomon (1983). The following figure will conclude the discussion. The three trapezes present the respective hypotheses, according to which in the 1980s and 1990s, it was assumed that economic globalization would bring cultural globalization with it, which would lead to cultural homogenization, which would give rise to the global, uniform consumer.

Figure B-8 The global consumer hypothesis



This assumption (visually summarized in the figure above) does not, however, reflect reality, as will be shown in the following paragraph.

B.6.2 Practical reality

Market segmentation

Rather than discussing macro-level globalization (which is what Levitt [1983] and others have done), is rewarding from an international marketing perspective to try to understand the nature of this phenomenon (i.e. to look at consumers and the actual reasons behind their decisions in the consumption process). Many companies recognize the fact that a strategy of global, standardized marketing and the idea of a globally uniform consumer are often unpromising. Contrastingly, for companies that reject the idea of global standardized marketing, cultural diversity presents an opportunity to create differentiation and gain a competitive advantage (Demos 2006: 48-49). The growing body of empirical research illustrating the risks and difficulties of global standardization (Solbert 2002: 1-21; Alasban et al. 2002: 22; Cateora and Graham 2005: 315) is increasingly finding its way into the corporate world. Douglas Daft of Coca-Cola remarks in this respect:

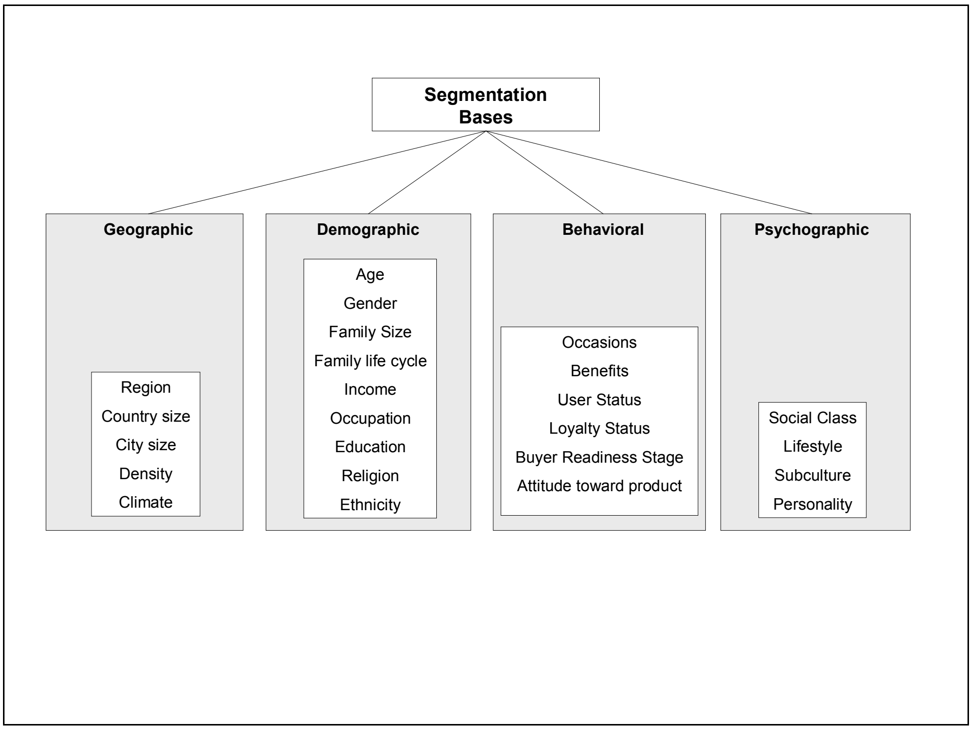
> *"We became one of the best marketers in the world because we understood that no one drinks globally. Local people get thirsty […] Understanding the local culture and acting on that understanding is paramount to success." (Daft 2000: 12).*

The fundamental question is whether the global homogenization of consumer tastes is really taking place and whether it allows global standardization of the marketing mix. Douglas Daft of Coca-Cola retorts:

> *"Coke has had to come to terms with a conflicting reality. In many parts of the world, consumers have become pickier … a little more nationalistic, and they are spending more on local drinks." (Daft 2000: 12)*

Daft describes the new Coca-Cola strategy as "think local, act local" and explains that it is caused by new efficiencies made possible by increasingly flexible manufacturing processes (Daft 2000: 12). With decreasing barriers to international trade over the last century, and especially in the last 50 years, more variety has been brought to consumers in most countries of the world. In this sense, globalization is increasing, not decreasing, diversity in everyone's experience. De Mooij (2000: 105) elaborates further, though economic systems may converge, there is evidence that with converging income, people's habits diverge. More discretionary income will give people more freedom to express themselves and they will do that according to their own specific value patterns (Arnould, Price and Zinkhan 2004: 44-47). This is why in the twenty-first century, standardization versus adaptation is simply not the right question to ask (Ghemawat 2003: 138). Rather, the crucial question facing international marketers, is, what the most efficient ways to segment markets are. Country has been the most obvious segmentation variable, particularly for Americans. But as global markets continue to homogenize and diversify simultaneously, the best companies will avoid the trap of focusing on country as the primary segmentation variable (Sheth and Parvatiyar 2001: 16) Other segmentation variables are often more constructive, for example, language group, income, religion, and ethnic group. The following figure provides an overview of the main segmentation bases, as they are found in literature (for example, Arnould, Price, Zinkham 2004: 183-209). Essentially, four large segmentation bases can be differentiated which divide markets into smaller groups: (1) geographic bases, (2) demographic bases, (3) behavioural bases and (4) psychographic bases.

Figure B-9 Major segmentation bases



The first two bases are self-explanatory. The last two will be briefly outlined. With behavioural segmentation, buyers are divided into groups on the bases of differences in their knowledge of, attitude to, use of, or response to a product. Psychographic segmentation divides buyers into groups on the basis of differences in consumer lifestyle. One can think of lifestyle broadly as how people live. Psychographics is believed to be more comprehensive than demographic, behavioural, and socioeconomic measures (Arnould, Price and Zinkhan 2004: 443).

AC Nielsen provides the following psychographic segments for Indonesia. These are summarized in the following figure. AC Nielsen states that there are nine discrete psychographic groups, which can firstly be categorized along the pessimist-optimist axis, and secondly on the traditional-western axis (HK, ACNielsen Media, email December 2004). The following figure and table contain a summary of the most important statements on the respective segments, and make apparent why the use of parameters developed in the west, are problematic in Indonesia. In the case of Indonesia, this leads to psychographic research being rendered invalid and contradictory, and leads to companies' processing of the Indonesian market being rendered useless (IG, interview December 2004).

Figure B-10 Psychographic segments in Indonesia

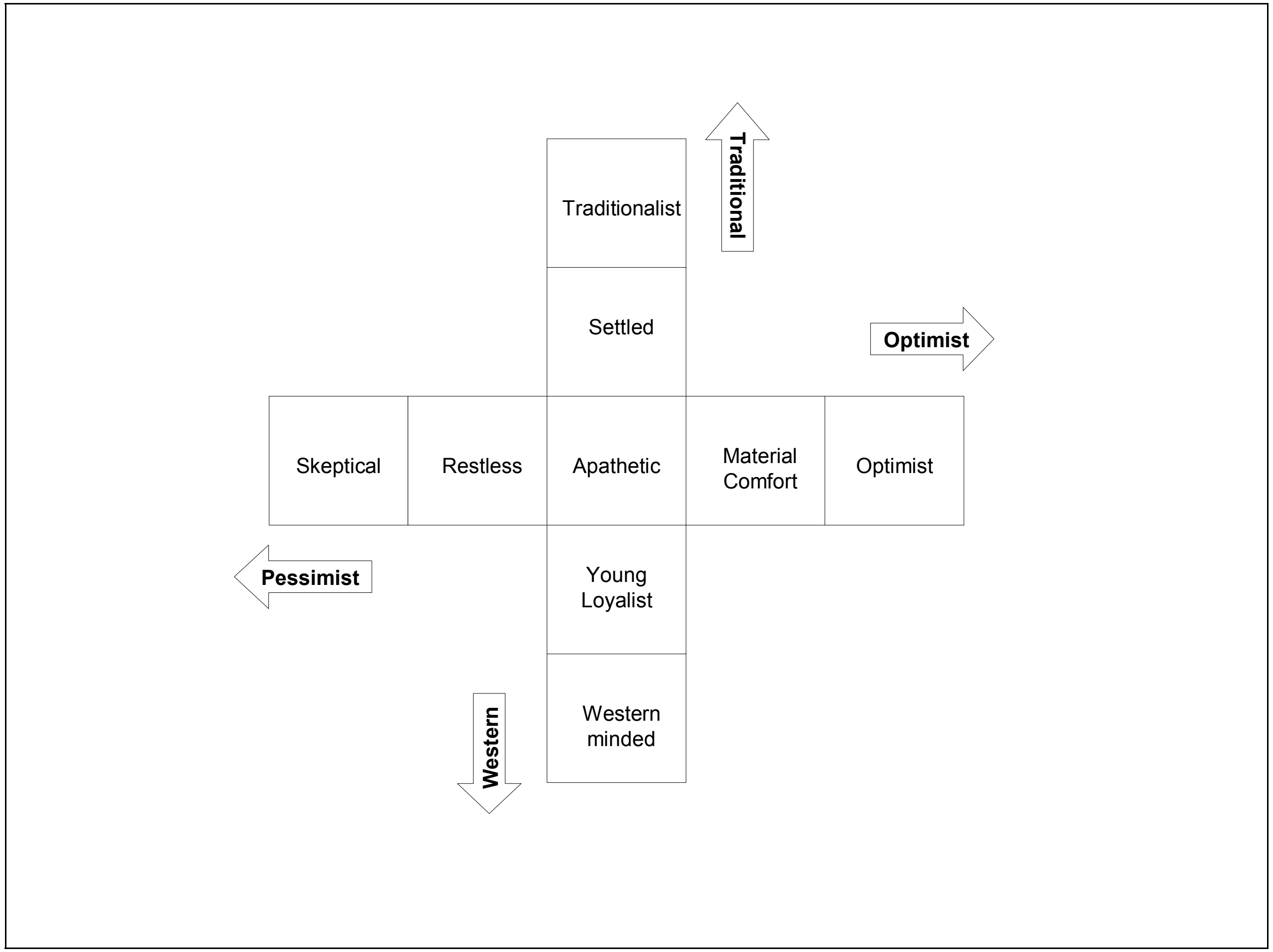


Table B-2 The nine lifestyle segments for Indonesia (AC Nielsen Indonesia 2004)

Sceptical	**Restless**	**Apathetic**	**Material comfort**	**Optimist**	**Traditionalist**	**Settled**	**Young loyalist**	**Western minded**
9%	**7%**	**13%**	**13%**	**11%**	**11%**	**15%**	**11%**	**9%**
Worries Critical on life Cynical on money Information seekers on labels Not career minded	Restless (tend to dislike a regular pattern of life) Unconfident	Non opinionated (goes with the flow) Career is important Believe in equal gender opportunities	Making good money and financially secure Not price conscious Appearance conscious	Trusting Do not fear failure Outspoken Health conscious	Hold traditional values Dreaming of wealth Non-brand minded Less health conscious Not an ad-believer	”Nested” Practical (prefer buying rather than fixing) TV is a form of entertainment Enjoying ads Enjoying shopping	Value friendship Self-sacrificing for greater results Less environmentally conscious	Brand minded Career oriented Enjoying life Lonely and need challenges

On the whole, missing definition of the individual segments and data collection which is often kept secret from consumers by market research companies are general problems named in conjunction with lifestyle analyses such as these. During the analysis of the psychographic segments available for Indonesia the most important criticisms were the following: on the one hand these lifestyle segments depend heavily on trends, i.e. they are relatively unstable over time and on the other hand, they are not very good at capturing the fluidity of lifestyle segment membership. Especially in a fast developing economy with frequent social shifts these psychographic analyses do not really help. One may find out how certain segments develop but not why.

Furthermore, and it should especially be emphasized that most of these segmentation bases are derived from empirical studies which investigate cross-national similarity in consumption patterns at a precise point of time, but not in the course of time. Moreover, actual consumption statistics are examined, rather than consumer motives and involvement in purchase (Usunier and Lee 2005: 122). To investigate consumer behavior thoroughly, it must be implemented much earlier, i.e. with an investigation of the consumer's surrounding culture, which has been neglected in models to date, and thus which prevents thorough understanding of consumers in a foreign culture. To date a general study of Indonesian consumers is entirely lacking, which leads to many companies unaware of who their consumers are and how the cultural environment influences and is involved in the purchasing-decision. Studies which reveal the effects of culture on consumer preferences in certain product categories are becoming increasingly common and this is reason to hope that cultural influences on consumer behaviour will receive more attention in future.

Micro-level research on cultural influences

At the micro-level, researchers have found that culture influences consumption patterns (Eshghi and Sheth 1985), but that this influence differs according to product type, product and service category, situational factors, and reasons for purchase. First, for product type Huszagh et al. (1986) found that durable, household and functional products varied more by culture than non-durable, sensory and personal products. Second, for situational factors Nicholls et al. (1999) found that frequency, time of day, where consumers shopped, the length of time and the reason, varied according to culture, for food, but not for clothing. Third, for product and service categories, Zaichkowshy and Sood (1988) found that restaurants, air travel and hair shampoo are more influenced by culture than beer, jeans, going to the cinema, soft drinks and stereo. However, the latter's opinion on soft drinks made in 1988 tends not to reflect Coca-Cola's strategy of local as the way to go. Furthermore, stereo systems, particularly their design, tend to reflect local tastes, for example stereos in Muslim countries have huge loudspeakers to represent strength, quality and energy (HaS, interview December 2004; CNBC Europe 2002: The Arab Consumer). These practical examples contradict the statements made by Usunier and Lee (2005: 127) who argue that consumer electronics are a typically culture-free product category because they are technology-based, and low in cultural context, however design preferences are certainly influenced by culture. Similarly, LG Electronics' mobile phone range, which looks similar all over the world, proves that the content and functions cater to specific markets segmented not by country or income, but by religious adherence. This too contradicts Usunier and Lee's statements. LG mobiles offer features called "Qiblah" showing the direction for praying, an alarm clock reminding users of praying times and Muslim phrase input hint (see Appendix 1, Figure 330)

Global brands: Glocal Brands?

The apparent rise of a global consumption culture with global brands does not mean that consumers share the same tastes or values, as (Holt, Quelch and Taylor 2004: 2) note. Rather, people in different nations, often with conflicting viewpoints, participate in a shared conversation and draw upon shared symbols. Holt, Quelch and Taylor (2004: 2) emphasize: "One of the key symbols in that conversation is the global brand". They continue by outlining that, like entertainment stars, sports celebrities, and politicians, global brands have become a lingua franca for consumers all over the world (ibid: 2). People may love or hate transnational companies, but they cannot ignore them. Many consumers are awed by the political power of companies that have sales greater than the GDPs of small nations and that have a powerful impact on people's lives as well as the welfare of communities, nations, and the planet itself. Not surprisingly, consumers ascribe certain characteristics to global brands and use those attributes as criteria when making purchasing decisions. But exactly these purchasing decisions are made in the local life world, i.e. local factors, such as cultural and religious traditions and their interpretative force vis-à-vis symbols, colors, etc., and of course, economic factors, such as income and purchasing power all influence purchasing decisions.

Global brands in this sense are portfolios of local marketing assets, federated under a common, lexically identical name. This explanation of the attraction of global brands shows why Gerk's and Belk's (1996) idea of a Third World consumer culture which emphasizes the hedonistic attraction of conspicuous consumption, even when basic utilitarian needs have not been met, is too one-dimensional. The global brand is not desired for hedonistic status reasons alone, but because it seems to give access to a global life world, interpreted in the local setting. False global consumers buy false global products, which they reinvest with their own culture-bound motivations and purposes (Usunier and Lee 2005: 132).

The increased adoption of global brands and products cross-nationally therefore cannot be interpreted as a sign of full global convergence and as a testimony to the progressive disappearance of local cultures. Significant elements of local cultures, such as language, writing systems, religions and relational patterns are still intact and quite visible in the local life worlds of consumers. Local cultures do not really disappear; rather, a new layer of common culture is superimposed on them. This illustrates the underlying hypotheses that consumption is not culture-free but has cultural meaning as McCracken (1986) argues. In this context Applbaum and Jordt (1996) suggest the need to centre on objects, and how they are used in context. They argue that by doing so, more insights are gained into the complex patterns of local consumer behaviour. Culture plays not only a major role in how we consume (consumption situation) but also which products we choose. All this adds weight to the conclusion that consumption is still largely a local reality. Consumers attribute meaning to products and services in the local context, especially what it means to desire, to search, to evaluate, to purchase, to consume, to share, to give, to spend, and to dispose of (Usunier and Lee 2005: 129). It is doubtful whether people in all countries have the same kind of buying motives, product use and product image. Far from being uniquely culture related, local reality also reflects climate and customs, and reflects the mere fact that much of our lives is still experienced, shared, perceived and interpreted with those nearby who share the same kind of local knowledge (Geertz 1983).

The indulgence in global brand products, either authentic or imitated, leads young Indonesians to the idea of being able to display self-confidence among their peers (IG, interview December 2004). This is similar to huge segments of Western youth, but their cultural identification is different since they use the global brand as a passport to global culture, especially it seems, during times of change with all the uncertainty and difficulties that they bring. "Global brands make us feel like citizens of the world, and they somehow give us an identity" (Holt, Quelch and Taylor 2004: 3). How and why this is the case will be explained in the following paragraph.

B.6.3 Glocalization of consumers

In a globalized world, identity-seeking consumers can pick up products from two different shelves: one that favours the locality and the in-group orientation and another that displays desirable values, meanings and signs offered by foreign, out-group cultures (Usunier and Lee 2005: 137). How consumers combine local and global meanings is complex. There is much ambivalence in the search for identity in a radically modern world where local diversity based on linguistics and religious differences will persist. The globalization of consumption patterns is not a one-way street and therefore the emergence of a global consumption culture is confused with the acceptance of global technology through which the certain elements of foreign cultures may be adapted (localized) by local cultures. Kaleidoscopic borrowing and the assemblage of local and global times is only possible if marketers are flexible enough to introduce some adaptations to their offerings, ignoring criticism of adjustment to local ways.

Finding convincing proof for “glocalization” (Robertson 1992: 173) in Indonesia is, however, problematic. Many young Indonesians seem to be looking for a modern lifestyle which merges aspects of the West with distinct flavour from their own country, while at the same time respecting the essence of their own culture and traditions (IG, interview December 2004). Giddens (1991 :32) describes this in an appropriate manner: “Transformations in self-identity and globalization, […] are the two poles of the dialectic of the local and the global in conditions of high modernity.” The symbols of modern life are satellite TV, internet, cell phones and higher education and precisely these symbols connect them to global trends which then again are localized by them, through local adaptation, i.e. local interpretation, local usage or local neglect. Despite unabashed consumerism, “a passion for technology” (Siemens Mobile Lifestyle Survey Asia Pacific 2001; Siemens Mobile Lifestyle Survey 2003), a need to have fun, hope and trust, self-confidence and sense of identity and an awareness and respect for global, regional and local icons, make the Indonesian youth part of global youth culture. However, young Indonesian consumers have not lost sight of their roots (IG, interview December 2004; SL, interview October 2004; IW, interview November 2004). They have their feet firmly on the ground, with a reassuring sense of reality and cultural identification. Observation and interviews generated the idea of modernism without “Westoxification” and it seems that this is particularly true of young Muslim Indonesian females (IG, interview December 2004) (see Part D of this thesis).

Process such as these, when, for example, globally available products are selectively adapted and interpreted can be described as creolization or glocalization. Creolization takes place when foreign goods are assigned new meanings and issues by the buyer’s culture, even if they are transferred to it without change. What emerges from the confrontation of global and local consumption is a complex pattern where the variety of consumption experiences reaches unprecedented levels. “Global consumptions patterns are reflected in local kaleidoscopes where myriad pieces of coloured glass are constantly rearranged in innumerable pictures”, argue Usunier and Lee (2005: 135). In this sense, one can contrast the creolization paradigm, where attention focuses on the reception and domestication process of global goods in local contexts, to the Coca-colonization paradigm, where emphasis is on uniformity (Howes 1996).

This picture of creolization is, according to Firat (1995: 111) consolidated by the idea of the post-modern consumer who pursues “the construction of his or her self-image”. Because the post-modern consumer experience is not one of committing to a single way of being, or a single form of existence, the same consumers are willing to sample the different, fragmented artefacts. The consumer is ready to have Italian for lunch and Chinese for dinner, to wear Levi’s 501 jeans and try the Gucci suit – changing not only diets and clothes but also personas and selves that are to be (re)presented at each function (ibid:

115). Whether people in general, or Indonesians in this context in particular, really change their self-image so quickly, is debatable. However, most consumers assemble diverse consumption items in a very opportunistic, fragmented and idiosyncratic way, not hesitating to mix local products and ways with global. There is a high pragmatism in post-modern consumption, in particular because budgetary constraints are still highly meaningful. Foreign mass consumption items have their place in this patchwork, as do haptic high-tech products; and luxury brands play a complementary role, being the shiniest and most colourful of post-modern consumption.

As demonstrated, while some products may be global, there are strong arguments against the existence of a global consumer and global consumer culture per se. Consumers always construct the identity of brands and products, even for global products, and they do so on the basis of their local culture and identity. Consumers search for and create meaning because they need constantly to re-build their self-image. For this reason, their search for identity through consumption must be a key concern to marketers (outlined in Part D of this thesis). Closely connected with these ideas is the discussion of consumer culture.

B.6.4 Consumer culture

The expression "consumer culture" refers to an organized social and economic arrangement in which markets govern the relationship between meaningful ways of life and the symbolic and material resources on which they depend (Arnould, Price and Zinkhan 2004: 102). Consumer culture may be characterized first by the global marketing of virtually every good, service, image, idea, and experience. In other words, in consumer culture everything is evaluated in terms of market value. A second defining characteristic is the increasing importance of materialism among consumers. A third element is the parallel change in personal identity. A number of authors argue that in advanced consumer cultures, personal roles and identities (lifestyles) assume an apparently elective quality, and are subject to frequent and significant changes (Bourdieu 1987).[72] The elective quality of personal identity means consumers may declare or claim the cultural categories or lifestyles they inhabit (Treibel 1994: 210-213). Given the fluidity of personal identity, individuals satisfy the freedom and responsibility of self-definition through the significance of the consumer goods they acquire and consume.[73] A fourth element that spreads consumer culture is the rapid movement of economic migrants, religious pilgrims, and guest workers between even remote villages in the developing world and cosmopolitan centres in the Triad nations. Not only do these migrants purchase airline tickets, but also they return from their travels with suitcases

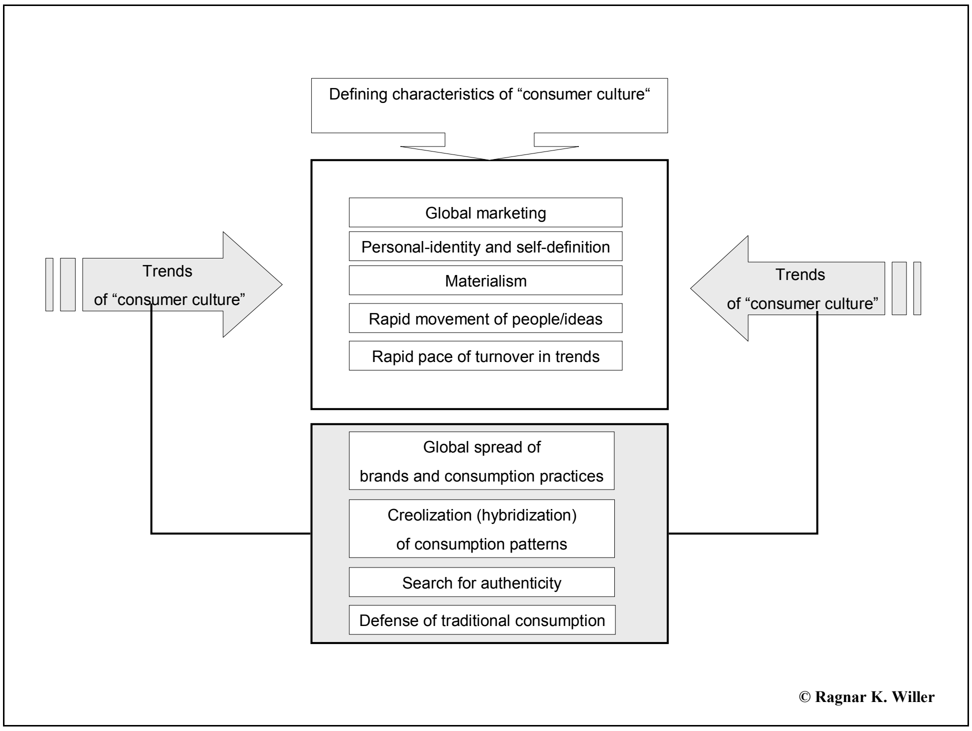
[72] For a discussion on lifestyles as markers of social inequality and differentiation, see for example: Müller 1989.

[73] For contemporary perspectives on consumer motives, goals, and desires, see for example: Ratneshwar, Mick and Huffman (2000); Miles, Anderson and Meethan (2002) and the excellent work of Fines (2002) "The World of Consumption. The material and cultural revisited". For an Asian perspective on consumption and the construction of lifestyles, see for example: Pinches (ed.) (1999); Robison and Goodman (eds.) (1996); Chua (ed.) (2000), (2003).

stuffed with novel consumer goods and often with a positive change in attitudes toward those goods. A final defining characteristic of consumer culture is the exceptional influence of the fashion industry and the rapid pace of turnover in fashions of every kind (Finkelstein 2000: 225-240; see for example also: Tosonboon 2003: 78-93; Savage 2003: 94-113; Dawson 2003: 189-209). One significant trend in consumer culture is the global spread of brands and consumption practices. However, while there are global brands, there are not really global people. The success of Apple's Ipod[74], for example, is based on distinct templates for action in the Eastern and Western worlds. Western consumers purchase Ipods to enjoy music without being disturbed by others. Consistent with Indonesian values, however, Ipods are used as a way of listening to music without disturbing others.

A second trend in global consumer culture is the "creolization" of consumption patterns. Creolization or hybridization refers to consumption patterns that combine elements of local and foreign consumption traditions (Yamashita and Eades 2002: 4-8). Creolization concerns consumers in all nations who are basically to be seen as glocal consumers. The third trend in global consumer culture represents a nostalgic defence of so-called traditional consumption values. This can lead to boycotts of foreign consumer products. Finally, there is a trend, especially in the Triad countries, toward the consumption of presumably authentic cultural products and experiences from transitional and Third World countries. The following figure summarizes statements on consumer culture pictorially and compares characteristics and trends.

Figure B-11 Characteristics and trends of "consumer culture"



[74] http://www.apple.com/ipod/ipod.html (27 December 2005)

Acting in conformity with cultural blueprints, members of a community or market segment constantly reinforce the distinctions between cultural categories through their purchase choices and consumption decisions, which they make locally. Through consumer behaviour, people define and redefine the meanings of self, community, and products and services themselves. Consumers' expressions of likes and dislikes (cultural principles) distinguish both goods and consumers from one another. The diversity that may exist in a particular culture is fostered by many factors, including ethnic and class differences, as well as individuals' lifestyle choices, family and household traditions. Cultural variability often leads to the development of differences in consumer lifestyles within and across borders.

In concluding this section, it may be wondered why companies should try to ignore local diversity. Rather than being a liability, it can also act as a superb opportunity for building competitive advantages based on differentiation, which are easier to defend against competition than low-cost advantages. The following interim chapter provides some practical examples of what can transpire when locally anchored consumers are addressed in a globally unified way.

B.7 CULTURE, A MULTIDIMENSIONAL CONSTRUCT: POSSIBLE REPERCUSSIONS ON ADVERTISING

“In culture there is no shortcut to the business world.”
(Hofstede and Hofstede 2005: 20)

Summary The aim of this interim chapter is to discuss consequences of standardized, global marketing. Hofstede and Hofstede (2005: 20) explain the relation between culture and business as multi-layered and reciprocal. Given that it is entirely feasible that successful market entries or product launches could be seriously marred by inadvertently failing to recognize the potential complications arising from the cultural environment, all precautions should be taken to reduce this likelihood. However, solving the enigmas associated with culture necessitates some current practical examples in order to highlight the significance of culture. This transitional chapter therefore manifests that descriptive-anecdotal approaches to the culture phenomenon in a globalized era (which is here understood as being glocal) is inadequate to conduct marketing successfully.

B.7.1 Culture and international marketing

B.7.1.1 Introduction

The international marketing literature, as shown elsewhere, provides a vacillating view of marketing thought. On the one hand is the observation that the world is becoming increasingly interdependent. International markets and international exchanges, such as trade and finance, are becoming accessible, and tend to imply that the “global village” (McLuhan, 1983) is a reality. This idea of virtual financial streams accessing and affecting every corner of the world is complemented by the observation that some products and brands are following these financial flows and are becoming obtainable everywhere. Nowadays, the French mineral water “Evian” can be found anywhere in the world, even in remote Indonesian villages. On the other hand, literature, for example by Usunier and Lee (2005), Hofstede and Hofstede (2005), along with Trompenaars and Woolliams (2004) suggest that, due to the enduring nature of the cultural variable and cultural diversity, it is far more realistic to imagine the existence of numerous dissimilar global villages instead of just one. In an increasingly interdependent world where barriers to trade and international exchanges are diminishing, cultural differences remain the single most enduring feature that has to be taken into account for international marketing strategies.

The latter view assigning greater significance to the culture variable is increasingly making headway in the corporate world. The following explanations should exemplify the meaning of cultural influences and will be illustrated in the following four practical examples.

BMW in China

Western companies sense an enormous potential market in China. However, so-called marketing experts commit serious blunders when praising their products. Someone who depicts the figures in his commercials fighting a dragon should not be surprised if his advertising campaign fails. The car manufacturer BMW always endeavours to have a unified image when presenting its brand. On every continent, the Bavarians extol the virtues of their muscle cars with their slogan "Sheer Driving Pleasure". The universal look is also valid when BMW launches a new model on global markets. Every car should be advertised with just one campaign.

When the new BMW 3 Series was launched, the manufacturers strayed from the usual pattern, at least in China, even though the advertising concept had paid off in Europe. With the slogan "The Driving Force" in the European TV commercial for example, one could see a group of runners who formed the silhouette of the new BMW. This was supposed to stand for sportiness, a typical BMW trade mark. Originally the same advertising spot was designed to tempt well-heeled Chinese consumers into the car showrooms. However, those in charge at BMW in the People's Republic of China put on the brakes. The reason may seem banal but it could have led the introduction of the BMW 3 Series model to a debacle. The protagonists of the "driving force" were sweating, which in China is not at all associated with being fit and sporty. In fact it is considered to be unpleasant and disagreeable. Cars destined for the upper classes simply cannot be advertised in this way. "Local experts explained to us that physical exertion does not match the target group of supreme decision-makers", explains Martin Huber from the advertising agency Interone, which advises BMW in China. "Being sporty means something different in China. Sport has to express something more elegant than it does in Europe", also says Andreas Kunz, spokesman for the BMW group in China.

As a result, the Chinese population never got to cast their eyes on the "runners" campaign. Instead, Interone and BMW came up with their own campaign specifically for China. The result is a commercial with overtones of serene elegance. The BMW 3 Series model is not in the foreground: the cool, at ease decision-maker is. "This commercial strays substantially from the usual sporty positioning of the BMW 3 Series", according to Interone manager Huber. Notwithstanding, the campaign was successful. "The sales figures speak for themselves and show us that we are on the right road", emphasizes the BMW spokesman, Kunz. No sweat, no rush – good for BMW that these cultural idiosyncrasies have found their way into the 3 Series campaign. In many other cases the experts miss the bull's-eye. "Chinese culture is very specific. Most western marketing experts are unable to think themselves into it", explains Hans Joachim Fuchs, head of branding advisory committee, Chinabrand.

Size and brand awareness do not really protect concerns from mistakes. “There are enough companies among them - even the larger concerns which approach the topic ‘advertising in China’ too ingenuously”, says Tim Faber, lawyer for the business area China for the company Rödl & Partner. Actually, the large companies and branded goods’ producers predominantly account for advertising mistakes in the People’s Republic of China presented in almost every seminar on advertising faux pas in China.

Some other prime examples of advertising mistakes follow. Take, for example, the Japanese car manufacturer Toyota which achieved notoriety by using stone lions saluting the 4 wheel drive model “Prado” in an advertising campaign. Yet in China, predatory cats are a symbol of authority. The lions showing deference to a Japanese product, angered the Chinese audience. In another commercial, a Toyota-Jeep pulled a Chinese military truck out of the dirt. That was the final straw. The Chinese took offence and the car manufacturer stopped the unfortunate campaign.

McDonald’s had to beg for forgiveness recently too. The burger griller advertised its special offers by showing a customer on his hands and knees begging for a discount. A gesture of such humiliation displeased the audience. They complained to the state media, which consequently banned the commercial from its program. More recent examples of misunderstandings are connected to the Chinese language. This is how advertisers reported Coca-Cola’s attempt to translate its brand name phonetically. The result, among others was "Ke-kou-ke-la" which means “bite the wax-tadpole” Arch rival Pepsi did not do much better. With their slogan “Come alive with the Pepsi generation”, those in charge translated it as “Pepsi brings your forefathers back from the grave”.

Apart from damaging the brand and company reputation, this kind of misunderstanding can also have legal implications. ”Advertising is a sensitive subject in China. Advertising is considered part of the media, which, in spite of the opening of China for the market economy, is still somewhat restrictive”, reports China expert Faber. “Each advertising agency is required to employ a state controlled advertising supervisor. For advertising agencies financed by overseas investment it is actually a pre-requisite”, according to the lawyer.

China’s laws governing advertising have many traps. Anyone showing the People’s Republic of China’s flags, coats of arms or national anthem, is guilty of hostility to the state. The area of “Offending national pride” is even more explosive. What could be interpreted as fun or irony for Europeans or Americans could come across as offensive with the Chinese (take the examples of Toyota, Nike and Co).

A further detailed example should serve to reinforce the thesis' supposition that tunnel vision treatment of the culture variable still exists. This example reveals why China banned a Nike television commercial (part of an international marketing campaign for Nike Basketball that uses symbolism from traditional Chinese culture including dragons, stone lions, goddesses, Yin Yang, and Buddhas) for not upholding national dignity and interest, and respecting the motherland's culture. The commercial features NBA player LeBron James battling against villains representing "Hype," "Temptation," "Haters," "Complacency," and "Self-doubt." Both U.S. and foreign audiences watch the commercial narrated in Mandarin Chinese with subtitles as it is part of a so-called global campaign.The subject of this controversy will be highlighted below.

The Dragon battles back to beat Nike

Easily dismissible as a classic piece of government over-reaction, Beijing's banning of US sportswear manufacturer Nike's latest television advertisement - featuring a US basketball hero trouncing dragons, a martial-arts teacher and flying spirits - says a lot about China's lingering sense of victim status. Titled "Chamber of Fear", the advertisement featured National Basketball Association star LeBron James simultaneously dribbling a ball while fighting off several adversaries, clearly Asian and very possibly Chinese. In the ad, produced using a computer-game format, James' goal was to encourage children to learn from his own upbringing and experience to confront life's hurdles and not shy away from them. Part of a global advertising campaign, the ad was aired nationally for more than a month before a statement on the ban was issued on December 6 by China's State Administration for Radio, Film and Television (SARFT). Since the government said the ad "violates regulations that mandate that all advertisements in China should uphold national dignity and interest and respect the motherland's culture", Nike (named after the winged Greek goddess of victory) had no choice but to admit defeat and apologize. Nike subsequently relaunched the ad in a heavily edited format. With no further government explanation offered, viewers of national and local channels were left to make up their own minds about why Nike's "Chamber of Fear" should have caused such offence.

The answer comes in two parts. The first is the fact that the computerized adversaries that were soundly defeated included an ancient-looking martial arts teacher complete with long, wispy beard, several female spirits "feitian" (literally "flying heaven" similar to Buddhist bodhisattvas), and - perhaps most crucially - two dragons, the traditional symbol of the Chinese nation. All the defeated adversaries are icons closely associated with Chinese culture. The second is that James is a black American. Whether it would have mattered if James were white or Asian remains a matter of conjecture. What is certain is that in some people's eyes Nike was being cavalier in its use of Chinese cultural icons, and depending upon how far you take the imagery, conveying an impression of Western cultural domination. All the Chinese in the advertisement were defeated, including the dragon.

The incident is unlikely to cause long-term damage for Nike, which runs a powerful nationwide marketing campaign to promote its “cool” image. The company can perhaps take comfort in the notion that there is supposed to be no such thing as bad publicity. “This commercial was always likely to provoke dispute in China,” said Yao Ming in an after-game interview on December 9. “So it didn't surprise me when I heard it had been banned and widely criticized by Chinese people, especially youngsters.” “It is a cultural conflict. In China, the dragon is the symbol of China and Chinese culture and the feitian - the flying woman - is regarded as sacred and holy. They are not respectfully treated in the Nike commercial," said Yao. He clearly understands how cultural conflict can have a great impact. The NBA All-Star centre himself had the experience of adjusting to American culture when he arrived in the US to play in the NBA. “My modesty is often regarded as cowardice. But Chinese tradition has taught me not to be aggressive. Yet aggression is valued on the basketball court of the NBA,” said Yao. “Conflict will occur when you are ignorant about another culture and things will be even worse if you take too much for granted,” said Professor Gu Donghui, a sociology expert at Fudan University.[75]

Advertising criticism such as this is by no means limited to China. In Southeast Asia there have been clear attempts by governments to stem the tide of Westernisation where, it has been felt, this may be at variance with, or damaging to, indigenous cultural values (McDonald and Roberts 2000: 12). Indonesia is a case in point where the ban upon TV advertisements during the early 1990s was, in part, interpreted as a deliberate endeavour to check any further dilution of the Indonesian way of life. Cultural sensitivity to the encroachment of Westernisation, as depicted by something as seemingly innocuous as a foreign brand or product, should not be overlooked (SL, interview October 2004; IG, interview December 2004; IS, interview September 2004). On the other hand, MNCs are blamed for importing raw materials from developing nations without transferring needed production technologies to these countries (Peach 1987: 1507). This is often the reason why multinational companies are blamed for cultural imperialism that endangers local cultures through the proclamation of the “American way of life” (Angehrn 1986a: 63). Neocolonisation of markets by virtue of a foreign brand or product is perhaps carrying the argument to extremes, but it is quite evident that cultural affinity, shown in localized marketing approaches, may provide a benefit of considerable value.

[75] This report was based on information gleaned from the following internet sources: http://www.china.org.cn/english/2004/Dec/114219.htm; http://news.bbc.co.uk/2/hi/asia-pacific/4083265.stm; http://www.usatoday.com/sports/basketball/nba/cavaliers/2004-12-06-james-china_x.htm; http://news.xinhuanet.com/english/2004-12/22/content_2367984.htm; http://chineseculture.about.com/b/a/131186.htm; http://www.chinadaily.com.cn/english/doc/2004-12/09/content_398845.htm (27 July 2005);

When participating in the seminar "Marketing of Consumer Goods in Asia" at the INSEAD-MBA school, Singapore, in October 2004, the author presented the following case as one problem area similar to those in the above-mentioned examples. The topic of discussion was the repositioning of luxury watch brand, TAG Heuer in China, whose 1998 global campaign "Inner Strength" was unsuccessful.

TAG Heuer in China[76]

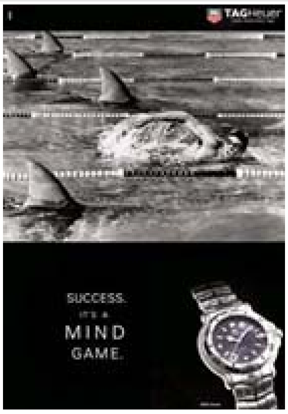
Prestige, performance, avant-garde technology and absolute reliability: these four "watch-words" have characterized TAG Heuer's philosophy since its founding in 1860, when Edouard Heuer set up the company's first workshop in Switzerland. Over the years, TAG Heuer, with its passion for sports, mastered the challenge of timekeeping and has become the official timekeeper of many international championships. TAG Heuer has always shared certain values with the competitive spirit of sports figures, such as pushing one's limits and the quest for perfection and absolute precision. It is therefore only natural that since its founding, the company has joined forces with some of the world's most celebrated sports figures. The following print advertisements reflect this.[77]

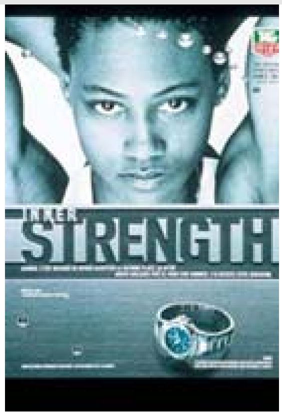
Before 1991	Campaign "Six Features" with Ayrton Senna "Champagne Resistant à 200 mètres"
1991-1994	"Don't crack under pressure", with Ayrton Senna and Michael Schumacher
1995-1997	"Success. It's a mind game"
1998	"Inner Strength" with Marion Jones, Mika Hakkinen and Boris Becker.
2000	"Beyond Measure"
2002	"What are you made of?" with David Coulthard, Inès Sastre and Steve McQueen
2003	"What are you made of?" with Tiger Woods
2005	"What are you made of?" with Brad Pitt, Uma Thurman and Juan-Pablo Montoya join Tiger Woods, Maria Sharapova, Kimi Raikkonen, Steve McQueen and Yao Ming

"Don't crack under pressure" (1991-1994) was one of the major successes of the TAG Heuer brand. This campaign illustrated the pressure of sport and the intense concentration athletes exercise, while insisting on the notion that the approach to sport is far more mental than physical. The ad is a tribute to the brand's determination and to that of its ambassadors, such as Formula 1 racing-driver Ayrton Senna (Image right, courtesy of Tag Heuer).

[76] The following sections on Tag Heuer are part of the author's presentation given at INSEAD Singapore, October 2004.
[77] http://www.worldtempus.com/wt/1/3855/, http://www.thambassadors.com/ambassadors/maria_sharapova.cfm (21 January 2006)

The **"Success. It's a mind game"** campaign (1995-1997) had revealed a prestigious and evocative vision of sport as it had never previously been represented, definitively establishing the brand within the luxury world. It depicts the mental pressures to which athletes subject themselves in order to win: a hurdler sees himself jumping over a giant razor blade; a horse-rider imagines herself jumping from one skyscraper to another; a swimmer refers to a competition with sharks chasing after him in the other lanes of the pool. This campaign, created by famous photographers Russel and Connie Guzman, Nadav Kander and Russell Porcas, earned numerous awards including the Lion d'argent at the Cannes international advertising festival (Images, courtesy of Tag Heuer).





The **"Inner Strength"** campaign featured famous athletes such as Boris Becker and Mikka Hakkinan and highlights the spiritual strength of sport achievers. The campaign was targeted at consumers who wanted to be perceived as spiritually strong.

In direct line with these successes, in 2002 TAG Heuer launched the print advertising campaign "**What are you made of?"**, which once again overturned advertising clichés and codes. "What are you made of?" opens up a new era of communication for TAG Heuer by adopting direct and emotional language. TAG Heuer asks its own ambassadors the leading question What are you made of? and places them opposite their favourite watch. What is a success? A campaign created according to the "Chinese portrait" principle, with successful objects mirrored by talented individuals. David Coulthard and Ayrton Senna, associated with the Kirium Formula 1 and Link chronographs are shown in the ads. Steve McQueen is seen with his legendary Monaco and Inès Sastre next to their Link Diamonds watch.

Launched in May 2003 worldwide, the new film **"What are you made of?"** represents a major advertising event, by diverting the historic TAG Heuer concepts and making golf its new source of sporting inspiration. This evolution in the links tying TAG Heuer to top-level sports, is embodied in the greatest golfer of all time, Tiger Woods. Pursuing its historical commitment to Formula 1, thanks to the arrival of golf, TAG Heuer has an opportunity to rise to a new film-making challenge: how can one spark rivalry between two apparently irreconcilable sports in an extreme timekeeping race? A spectacular film that breaks with existing codes. Who can beat Tiger Woods? An F1 driver takes on the golfer on the legendary Monaco circuit. Golf ball versus car, swing versus V10, the story of a duel involving absolute precision. Dizzying bursts of speed and mental slow-motion sequences follow on from each other on the screen, with the omnipresent superimposition of obsessive timekeeping... Ultra-fast digital visuals express action, tension and sporting commitment, while the slow-motion parts are a reminder of the extreme concentration involved. The technological power of the Formula 1 vies with the mental strength and perfect gestures of Tiger Woods. Following his ball with his gaze, he guides it through what he calls the "zone", overcoming the unusual obstacles of the city of Monaco and its circuit, in order to reach its goal.

TAG Heuer is making news in 2005, as Brad Pitt, Uma Thurman and Juan-Pablo Montoya join Tiger Woods, Maria Sharapova, Kimi Raikkonen, Steve McQueen and Yao Ming on its Dream Team of TAG Heuer ambassadors. All three celebrities are part of the new **"What are you made of ?"** campaign produced by Patrick Demarchelier, the famed fashion photographer. The result: a stylish campaign that perfectly embodies the blend of sports and glamour for which TAG Heuer is renowned (Images, courtesy of Tag Heuer).

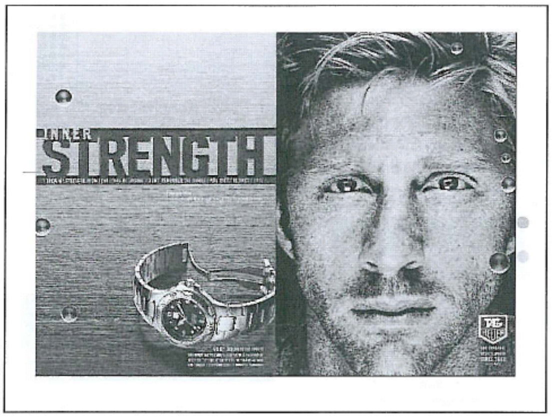
Thanks to campaigns of this kind, companies try to distance themselves from other brands and to target a specific target group. Rolex differentiates itself by putting up and maintaining its brand messages – reliability and performance.[78] Patek Philippe stresses its authenticity and the fact that its heritage that matters. Its message is that people are buying for the next generation and many of their timepieces are collectors' items. TAG Heuer, conversely emphasizes the sportiness of its watches. While overtones of status, associated with the brand Rolex for example, are easily transferred to Asia (the brand stands for status and prestige worldwide and achieves e.g. in Indonesia, an almost 100% brand awareness), it is difficult for TAG Heuer with its associated attributes of sportiness and performance to appear relevant to the buyer and to motivate consumers to purchase. TAG Heuer initiated its China business with the "Inner Strength " campaign, launched in 1998. The campaign, although a real success in Europe, was "a total failure in China" (author, presentation October 2004).

[78] http://www.rolex.ch/en/ (13 December 2005); http://www.patekphilippe.com/ (13 December 2005)

The reasons behind the failure are the following. In Europe the value of sports is both physical and mental, whereas in China it is purely physical. Consumers in Europe wear sport watches to exemplify their physical fitness or spiritual strength. Sports watches, such as those by TAG Heuer, are appropriate for business, and thus a premium price is reasonable. In China however, sports watches are primarily functional and are perceived as a casual watch, inappropriate for business, and therefore not worth paying a premium price for. Answers given by Chinese consumers after the campaign failed were, for example: "Wearing sports watches to work is like wearing slippers to attend operas", or "I can't justify paying RMB 7,000 (US$ 840) for a sports watch that is worn only when I exercise". After the failure of TAG Heuer's brand campaign in China, the watch maker was forced to re-think how to provide a relevant brand value for a sports watch to appeal to Chinese consumers who are not avid sports enthusiasts (sports-insensitive). The following image represents the campaign before the re-positioning. This campaign failed.

Figure B-12 Boris Becker for Tag Heuer (image, courtesy of Tag Heuer)

TAG Heuer's globally standardized advertisement "Inner Strength", featuring Boris Becker



TAG Heuer's new campaign changed drastically. TAG Heuer re-positioned its brand as a formal business watch with sporty overtones. Chinese appreciate spiritual values such as determination, but athletes in international campaigns lead consumers to associate the watch with physical values and not with the spiritual values which are highly respected in Chinese culture. To solve these issues, a local advertising campaign “The Attitude of the Achiever” was developed for China. “The Attitude of the Achiever” campaign featured business achievers, which was the most appealing image to the Chinese in TAG Heuer’s target group. The campaign featured Chinese idioms about determination and highlighted this quality as the attitude that brought about business success. The new campaign closed the so to speak culture gap. It replaced athletes by business achievers, which repositioned TAG Heuer as a formal business watch and increased the perceived retail price. Sales increased by 40 percent in the first half of 1999. The following two images are examples of this campaign.

Figure B-13 Tag Heuer in China (1)

The advertising campaign of TAG Heuer in China, “The Attitude of the Achiever”.
Idiom: “Removing the mountain ahead”

Courtesy of Prof. Jill Klein, INSEAD

Figure B-14 Tag Heuer in China (2)

The advertising campaign of TAG Heuer in China, "The Attitude of the Achiever".
Idiom: "Turning an iron bar into a needle"

Courtesy of Prof. Jill Klein, INSEAD

Although TAG Heuer now advertises in China with one of the most popular athletes, Chinese basketball player Yao Ming (under contract in the US), and although the heavy local coloured but still very successful campaign "The Attitude of the Achiever" has been stopped, great differences are evident when viewing the pictures of sports stars used in those campaigns (image right, courtesy of Tag Heuer). Yao Ming, for instance, is not recognizable as a basketball player; he is portrayed wearing a suit. The celebrities in the endorsements used outside China such as Maria Sharapova, are, on the contrary, recognizable as sports stars because of their typical sports gear. In the campaigns they are displayed to an extent playing their sports. In the campaign intended for China, Yao Ming's portrayal is a so-called glocal compromise. On the one hand, TAG Heuer's global standards are adhered to, i.e. taking sports stars under contract in order to reinforce the manufacturer's positioning as a producer of sports watches. On the other hand, local adaptation is considered, i.e. Yao Ming is depicted as a successful and respected Chinese citizen abroad wearing appropriate clothing and not as a sweat drenched basketball player.

However, it is doubtful to what extent campaigns which show individualistic heroes can be successful in a cultural sphere in which adaptation or subordination to groups is presenting a common cultural behaviour form.

The above-mentioned examples clearly reveal that the relationship between culture and marketing can be described as reciprocal (Angehrn 1986: 203; Dahringer and Mühlbacher 1991: 170). Furthermore, Dahringer and Mühlbacher go as far as to postulate (1991: 170): “Not only does culture influence marketing; marketing also influences culture”. Thus, culture imparts the social context in which international marketing operates and that it is a, if not *the*, central determinant of international marketing (Usunier and Lee 2005: 2-3; Schütte and Ciarlante 1998: 1-16; Trompenaars and Woolliams 2004: 3-24; Lasserre and Probert 2001: 27-54). This central positioning of culture in international marketing was conveyed practically in the above examples. In the context of these examples, it should be indicated that the described companies’ faux pas were not mistakes that would have required the deepest knowledge of Chinese culture. That renders the mistakes even more infuriating since they could easily have been avoided. Mistakes of this nature occur because it is believed that attracting customers in the target markets could work globally since their customers worldwide would have adapted to one another in the course of globalization and modernization. This, however, is a misapprehension.

Although Seidel (1995: 158) sees some evidence for the increasing adoption of local approaches (termed multi-cultural strategy), it seems that MNCs refrain from adopting the “glocal” mindset and allocate extensive resources to researching cultural environments which could give them clues on how to adapt products and marketing strategies to suit local consumers. The case study (Part D) which was researched and elaborated on, shows, with the help of the Indonesian example, how successful marketing will look when it integrates the culture of the target country. The interdependence between customers and their environment illustrates the relationship between culture and international marketing, as the above-mentioned practically-oriented examples illustrate. The relationship between culture and international marketing is, as the previously-mentioned examples exhibit, in many cases, far from being able to be described as balanced. Statistical analysis, forecasting techniques and operational studies as taught in business schools around the world are not completely incorrect and are important technical skills. But companies frequently underestimate that it is inappropriate to assume that technical rationality characterizes the environment in which these techniques are applied and that “cultures resemble the laws of physics and engineering” (Trompenaars and Hampden-Turner 1997: 4).

Companies frequently overlook the fact that when transferring a product or marketing plan from one culture to another, the underlying assumptions of the culture in which it is placed will give it new meaning (Trompenaars and Woolliams 2004: 16). What all the examples mentioned so far have in common, is that they attribute culture significant influences to marketing. This is particularly true as marketing is much broader than selling (with which it is often narrowly associated). It encompasses the entire company's market orientation toward customer satisfaction in a competitive environment (Kotler, Ang, Leong and Tan 2003: 16-29).

Therefore, fundamentally, the intention of the international marketer must be to create marketing mix approaches that communicate identity and create an affinity with the target market. In other words, marketing strategies require close attention to both customers and competitors (Kotabe and Helsen 2004: 12).

These practical examples serve to sensitize the reader to the relevance of cultural influences on the marketing mix and to the main section to follow.

C TRANSFORMING INTERNATIONAL MARKETING INTO INTERCULTURAL MARKETING: THE INTEGRATIVE, MULTIDIMENSIONAL ANALYTICAL DIAGRAM AND ITS IMPLEMENTATION IN INDONESIA

"When looking at a geographically defined but culturally complex region such as Southeast Asia, it is immediately evident that the convenience of geography belies a highly complex and rich diversity of cultures. Lack of familiarity with those cultures overlays a new set of problems upon the existing or 'old' problems commonly experienced by firms operating in the domestic marketplace. The 'new' problems alluded to are encompassed by the marketing and branding process in a cultural context where diversity creates inconsistencies of interpretation, association and perception." (McDonald and Roberts 2000: 6-7)

Summary This chapter is broken down into three parts. A discussion of theoretical premises of culture and the different concepts and definitions of culture operationalization will precede the work's underlying research framework and its application in the Indonesian context. After the content and objective of international marketing have been introduced theoretically and practically (Part B), the ethnocentric perspective of international marketing will be augmented in a cultural sense. That means culture and its influence on consumers and marketing will be given an appropriate role and an adequate position due to its importance as influencing factors on international marketing (which could then be called intercultural marketing). Following the chapter introduction, the definition of culture and the research methodology, the presentation of the ten orientations developed to facilitate intercultural marketing strategies will be presented. The presentation and definition of each orientation is followed by the analysis of cultural elements which are to explain Indonesian consumer behaviour. In a further part, the repercussions of the orientations and consumer behaviour are shown. Upon presentation of the ten orientations, a summary of this analysis' results will follow.

C.1 TYPOLOGIES OF CULTURES AS DILEMMAS FOR INTERNATIONAL MARKETING AND THEIR INFLUENCE ON SELECTED ASPECTS OF CONSUMER BEHAVIOUR

C.1.1 Introduction

Intercultural marketing as an applied science is still in its early stages of development and implementation in Southeast Asia like in Europe. Whereas in the field of international marketing there is already a comprehensive list of text and handbooks (see for example: Johansson 2000; Kotler, Ang, Leong and Tan 2003; Czinkota and Ronkainen 2004; Jeannet and Hennessey 2001; Cateora and Graham 2004; Deresky 2006; Kotabe and Helsen 2004; Backhaus, Büschken and Voeth 2005), the list on culture comparative monographs and collections on Asia in general and Southeast Asia in particular (see for example: Leong, Ang and Tan 2001; Schütte and Ciarlante 1999; Pecotich and Shultz II 1998), is relatively short. On the whole, with few exceptions, business studies deals with the phenomenon of culture in a principally descriptive and anecdotal way. In spite of recognizing cultural differences in consumer behaviour, these are often prone to failure due to weaknesses of measuring instruments (Winter 1986: 598). Every company which would like to operate internationally has to ask itself the following question: should or can it process several differing foreign markets in a standardized way (i.e. using known strategies and instruments from the domestic market), or should it proceed in a differentiated way (customized to the respective culturally influenced market conditions)? The decision to act in a more or less differentiated way bears the following key question within the company's decision-making-scope: in what way should a company customize? While the room for decision-making is limited (for example when it is a question of the influence of legal factors) in other cases the advantages must be weighed up carefully against the disadvantages. Simply put, the answer is easy. The cultural environment is always an influential parameter in the decision-making process for marketing when culturally sensitive services in heterogeneous cultural environments need to be marketed. But how exactly is culture to be understood and how can different cultures be compared?

C.1.2 Approaching the construct “culture“

C.1.2.1 Definitions

Although at first glance the expression “culture” appears to be comparatively unequivocal, upon closer inspection it reveals itself to be ambiguous. This is owing not least to the fact that several scientific disciplines and intellectual traditions of thought used this term in a subject-specific and therefore often different manner. In the Anglo-Saxon world, the word “culture” (Latin “colo, -ere”, with its root meaning "to cultivate") was first revealed in printed format in 1483 in the sense of worship and reverential homage. How the expression was interpreted has changed over time. At the beginning of the 20th century, meaningful culture was ostracized from “indifferent nature“. Nature gives rise to spontaneously growing natural products from mother earth. Culture, on the other hand, is that which is created by mankind, for example created by ploughing and sowing (processing nature). It has been only since the end of the 18th century that the expression has been used in the context of comparing progress of mankind and various societies (for example, the European, Asian or African culture). Because it is largely unknown why culture developed in different ways and what differences signify, the concept has been criticized by some as random. Baeker (1985: 1) considers the concept of culture as a European ethnocentric construction. Therefore, a binding core definition would neither be available nor expected in the future. Various theories or currents can be differentiated according to whether they focus on the genesis of culture more or less statically (Sobrevilla 1971). Thus in the 19th century a static-universal-anthropological concept dominated, contributing to the interchangeability of the terms “culture“ and “region” in various disciplines (for example Middle Eastern and Oriental studies which continue to use both concepts interchangeably today). In the first half of the 20th century a division between anthropology and sociology occurred which was equally the result and the expression of a then acute rivalry between both disciplines. In contrast to anthropologists who retained their original static conception and interpreted culture in terms of behavioural patterns (culture patterns), sociologists developed a comparatively dynamic perspective. They interpreted society as a social structure, i.e. as a network or system of social relationships, for which culture provides the context. Hofstede (1999) describes culture metaphorically as “software of the mind” and Jaeger (1986: 179) as “mental programs that are shared”. Both describe culture in a scientific language as a specific combination of (1) values, (2) basic underlying beliefs and (3) presumptions for a society (about humankind and the world). The effects of various cultural influences on several behavioural areas were systematically investigated in the course of the research discipline’s development. These included consumer behaviour, negotiation and conflict management, the former being the research subject of this thesis.

It was also a sociologist who, with his analysis, started the field of research into cultural studies in whose tradition intercultural marketing is steeped: Max Weber. Rather as a structure (What is culture?) and genesis (How and why cultures develop in different ways?) the consequences of culture and religion interested him (Müller and Kornmeier 2000: 87; Inglehart 1998: 302). Weber justified his cultural concept anthropologically, and from the perspective of marketing research it could be said that he rejected the naïve unstructured empiricisms and he postulated that hermeneutics is the most important method.

Many definitions, mostly vague and abstract, have been formulated for culture (Kroeber and Kluckhohn 1952). Some say that no definition of such a complex construct as culture is possible (post-structuralism). Deconstructing culture and its elements is, in their view, objectionable as it suppresses historical and diachronic analyses, a method described as reductionistic. They argue that culture is too complex, and has no structure or entity. Contrary to the above, there are the structuralists' approaches. According to structuralist theory in anthropology, meaning within a culture is produced and reproduced through various practices, phenomena and activities which serve as systems of signification. Structuralists study activities as diverse as food preparation and serving rituals, religious rites, games, literary and non-literary texts, and other forms of entertainment to discover the deep structures through which meaning is produced and reproduced within a culture.

Hall, who offers significant descriptions of culture, traces the difficulties of a definition of culture not back to its complexity, but to the limits of language to describe culture. He argues (1976: 57):

> *"The paradox of culture is that language, the system most frequently used to describe culture, is by nature poorly adapted to this difficult task. It is too linear, not comprehensive enough, too slow, too limited, too constrained, too unnatural, too much a product of its own evolution, unnatural, and too artificial." (Hall 1976: 57)*

Onkvisit and Shaw (1993: 257) give the following definition: "… culture is a set of traditional beliefs and values that are passed from generation to generation". Culture, it seems, is usually transmitted from parents to children, but social organizations, interest groups, the government, schools and religious institutions also come into play. "Culture is prescriptive, …facilitates communication, … is subjective, … is enduring, … is cumulative, … is dynamic" (Onkvisit and Shaw 1993: 257). The development of collective mindsets and behaviours is intensified by social pressure (Czinkota and Ronkainen 1993: 154). Despite many different definitions of culture, anthropologists seem to agree on three of its characteristics (Hall 1976: 16):

> *"[Culture] is not innate, but learned; the various facets of culture are interrelated – you touch a culture in one place and everything else is affected; it is shared and in effect defines the boundaries of different groups." (Hall 1976: 16)*

Of the many possibilities of definitions of cultures, one definition and view of culture proved to be particularly suited to the meaning of "culture" in the context of international marketing und will be discussed in the following paragraphs.

C.1.2.2 Theoretical basis

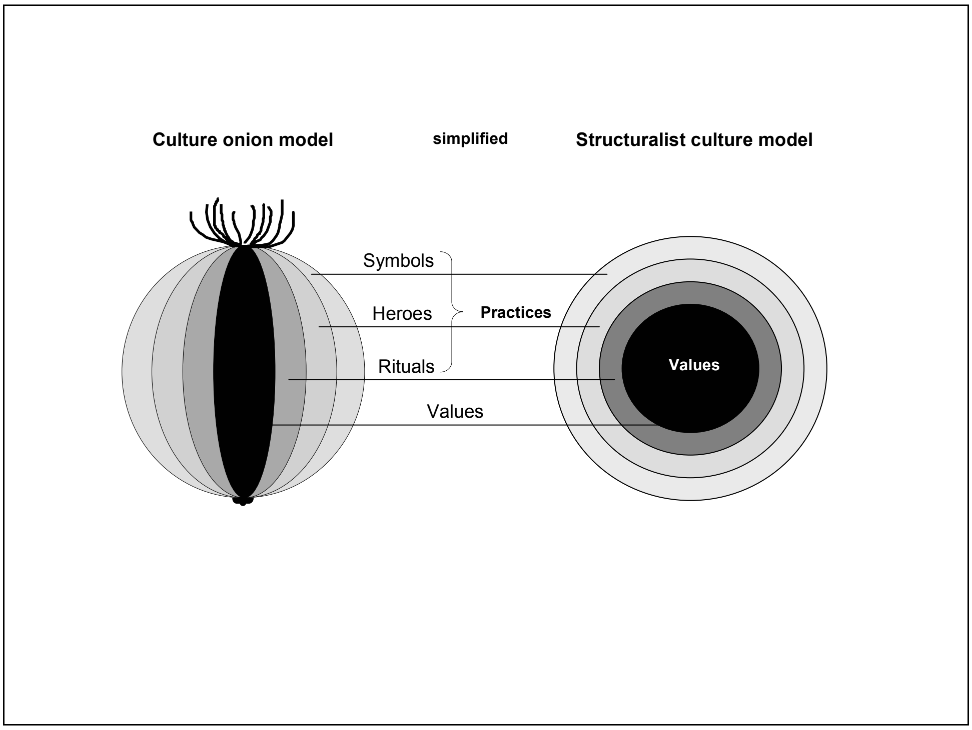
The theoretical basis' common deficit negatively influences comparative cultural research (Holzmüller 1989). Basically the methodological structure of culture comparative management research (Redding 1994: 332) can be differentiated from nomothetic and ideographic research strategies. Weber, Parsons, Kroeber and Kluckhohn and Porter's research strategies are, according to Redding, (1994: 332) rather nomothetic, as is Hofstede's strategy. Intercultural marketing's requirement profile deems the choice of a nomothetic research strategy necessary, since this thesis aims to develop an appropriate analytical diagram which will serve further research projects both in country-wide culture comparisons and on other comparison levels, that of ethnic groups, for example.

Culture in the framework of this thesis, is understood as an explanatory construct which is operationalized and thus comprehensively comparable. Since an appropriate initial definition of culture needs to be made, culture, for the purpose of this thesis, is understood as a binding orientation system for society or group members (for example members of an ethnic group).

Hofstede (2005: 4), whose cultural analysis has been widely adopted in the arena of international management and partly in international marketing, shares the idea that culture is learned and not innate and therefore derives from one's social environment rather than from one's genes. Hofstede (1993: 19) sees culture as a collective programming of the mind, i.e. culture is always a collective phenomenon, "because it is at least partly shared with people who love or live within the same social environment …" (Hofstede 2005: 4) and distinguishes the members of one group of people from another. Hofstede's definition of culture is particularly suitable for research into consumer behaviour since culture is hierarchically structured with the aid of the so-called layer model (or culture onion model). In this model "culture" is seen as an abstract reflective of reality, as a system of rules, codes and symbols which enable a particular culture's members to behave coherently. The collective system of meaning (kollektives System von Bedeutungen) (core of the layer model) derived from this model, differentiates several cultures from each other. From a formal point of view it is irrelevant whether a country, sub- or corporate culture is being addressed. This allows the necessary cultural comparisons for intercultural marketing.

Often the culture onion (layer model) (Figure C-1) is chosen as a diagrammatic way of presenting culture in the layer model as is the case for Trompenaars (Trompenaars and Hampden-Turner 1997: 22; 46) and Hofstede (1997: 8). In the culture onion, the visible symbols, heroes and rituals form the first cultural layer. The second invisible inner layer, therefore the invisible core of culture, is formed by culture specific values.

Figure C-1 Pictorial representation of the defining premises of culture



Hofstede distinguishes four manifestations of culture: symbols, rituals, heroes, and values. In the above figure (C-1) these are depicted like the layers of an onion, indicating that symbols represent the most superficial, and values, the deepest manifestations of culture, with heroes and rituals falling somewhere in between.

Symbols are words, gestures, pictures, or objects that carry a particular meaning recognized only by those who share a culture. The words of language or a particular kind of jargon belong in this category, as do dress, hairstyles, flags, status symbols, brands like Coca-Cola. New symbols are easily developed and old ones quickly disappear; symbols from one cultural group are regularly copied by others. This is why symbols are shown in the outer, more superficial layer in the above figure. Coca-Cola, Pepsi, Marlboro and Nike are examples of brands that have become global symbols. Yet they may include different associations in the U.S., the country of origin of the brands, than they do for Indonesians.

Heroes are persons - alive or dead, real or imaginary - who possess characteristics that are highly prized in a society, and who thus serve as role models for behaviour (Hofstede 2005: 7). Even fantasy or cartoon figures, like Batman in the United States and Astérix in France, can serve as cultural heroes. In the television age outward appearances have become more important in choosing heroes than they were before. Fantasy heroes can become known globally, but the stories in which they play a part are often local. In Indonesia, Inul Daratista, a dangdut[79] singer and performance artist who rose to national fame after a televised January 2003 concert in Jakarta, is one such cultural hero. Her dance moves, which she calls "Goyang Inul"[80] or "Ngebor"[81], quickly became the source of controversy due to her suggestive gyrating hip motions, though these criticisms did little to dent her popularity.[82]

Rituals are the collective activities considered socially essential within a culture: they are carried out for their own sake (Hofstede 2005: 8). Examples include ways of greeting, ways of paying respect to others, and social and religious ceremonies. In the above figure, symbols, heroes and rituals are included in the term practices. They are visible to an outside observer. Their cultural meaning is invisible however; it lies in the way the practices are interpreted by insiders of the culture. In Indonesia, product launches increasingly coincide with Ramadan (particularly its last days - the holiday of lebaran or Idul Fitri in Arabic) and the selamatan (a religious meal - selamat - cosmic salvation) (SL, interview October 2004; IS, interview October 2004; HaS, interview December 2004). Hofstede subsumes symbols, heroes and rituals under the term practices, as they are visible to an outside observer.

Values lie at the core of culture. Values are defined as "broad tendencies to prefer a certain state of affairs over others" (Hofstede 2005: 8). Values are among the first things children learn, not consciously but implicitly. The core values of culture are stable, and often what is presented as a new "trend" is merely a new practice format of existing and stable values.

With regard to cultural change, Hofstede notes that our world is changing but there are many things in society "that technology and its products do not change" (Hofstede 2005: 12). If young Indonesians drink Coca-Cola or eat at McDonald's, this does not necessarily affect their attitudes toward authority. In some respects, young Indonesians differ from senior Indonesians, just as young Germans differ from senior Germans. Nevertheless, these changes mostly involve the relatively superficial spheres of symbols and

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[79] Dangdut is a genre of Indonesian popular music which is partly derived from Arab, Indian, and Malay folk music. Beginning in the 1970s, it developed among working class Muslim youth, but especially since the late 1990s has had a broader following in Indonesia. A dangdut band usually consists of a lead singer backed by a band of four to eight musicians. The term has been expanded from the 'desert-like-style' music, and embraces other musical styles today. Modern dangdut incorporates influences from Latin, house, hip hop, R&B, and even classical music. Most major cities, especially on Java, have one or more venues that have a dangdut show several times per week. The concerts of major dangdut stars are also broadcast on television.

[80] http://www.detikhot.com/index.php/tainment.read/tahun/2006/bulan/02/tgl/01/time/173429/idnews/530392/idkanal/230 (12 August 2005); http://www.tempointeraktif.com/hg/nusa/jawamadura/2003/05/17/brk,20030517-04,id.html (12 August 2005);

[81] http://www.kompas.co.id/kesehatan/news/0601/23/125752.htm (12 August 2005);

[82] http://www.ndrtv.de/weltspiegel/20030706/indonesien.html (12 August 2005); http://www.geocities.com/inuldangdut/ (12 August 2005); http://myhero.com/myhero/hero.asp?hero=Daratista (12 August 2005); http://www.femina-online.com/serial/inul/srlinul1.html (12 August 2005); http://www.femina-online.com/serial/inul/srlinul1.html (12 August 2005); http://www.tokohindonesia.com/selebriti/artis/inul-daratista/index.shtml (12 August 2005); http://www.commondreams.org/views03/0514-01.htm (12 August 2005);

heroes, and of fashion and consumption. Hofstede (2005: 13) declares: "There is no evidence that the values of present-day generations from different countries are converging". Thus, culture change can be fast for the outer, visible layers of culture (symbols, heroes and rituals, which are labelled as practices), but culture change is slow for values. McCracken (1986: 71) describes these changes, though slow, as "constantly in transit". Nevertheless, values are not deeply changed, as there is the need to fit in, to behave in ways that are acceptable to the groups we belong to.

Based on this structuralist definition, culture has to be operationalized firstly to be able to compare countries and secondly to contrast social groups and their culture within a country (in the case of a multiethnic country). There are a variety of approaches available for the operationalization of culture. The prerequisite is that not only has it to describe the observed, i.e. visible layers of the culture onion, but also to explain the core of culture, i.e. the invisible moral concepts and norms, and then to draw conclusions from them and apply them to the observed visible practices (consumer behaviour). So it is necessary to connect *concepta* (explanatory part) and *percepta* (descriptive part) and to find an investigative model for the above explained research formation. A mere description of Indonesian consumer behaviour would not have allowed a comparison with other countries. Neither would such a description be valid long-term due to its dynamic nature, i.e. transience of visible practices means that it would only be valid short-term.

C.1.3 Starting point of the research framework

Taking Hofstede's structuralist definition of culture as a starting point, the underlying analytical diagram of this thesis will now be explained. The empirical based culture theories (Hofstede 1997; Trompenaars and Hampden-Turner 1997) used in culture comparative advertising research (de Mooij 1997, 2003, 2004, 2005) offer the following advantages. The empirical culture theories are based on dimension-analytical approaches; culture is objectively deduced from data with the help of a formalized calculation (factor analysis) and is reflected in the cultural dimension. The aim of Hofstede's and Trompenaars', among others', works is to identify and compare these dimensions across countries.

The advantages of these dimension-analytical approaches are (1) they can be linked to culture comparative advertising research, (2) for the purpose that one could expect selected interviewees to be acquainted with the theories owing to their international education and high position within the corporate organization, (3) that the model's simplicity made it easily accessible to the interviewees and (4) that these approaches have come forward with empirical data for Southeast Asia.

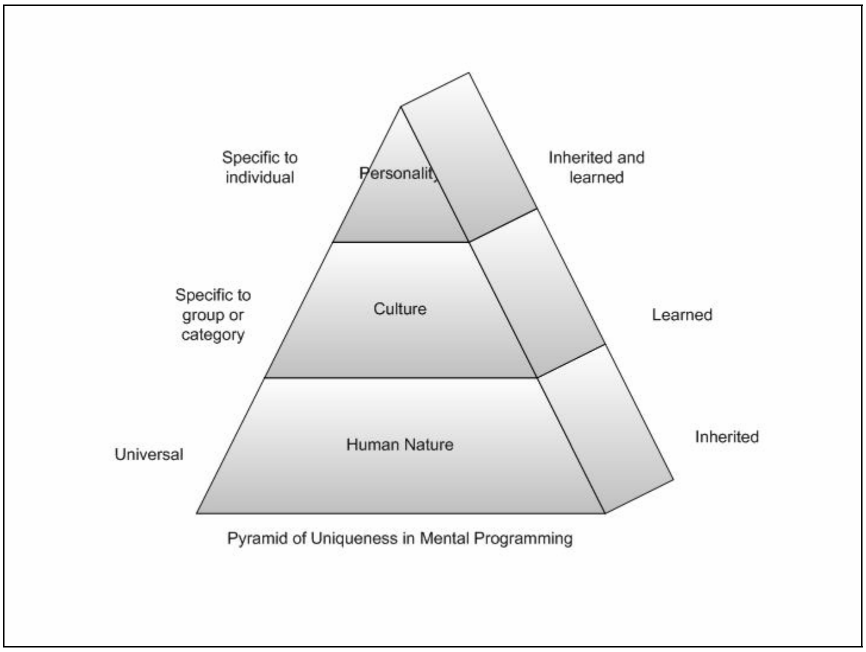
Intercultural marketing in many ways refers to a society's value system both directly and indirectly (Trommsdorff 2003: 180). The latter prescribes standards of behaviour and directly and indirectly influences the preferences, decisions and rationalizations of a particular group's member. The individual learns to cope with the complex environment of a society by adapting his or her role (for example as a consumer) whether consciously or unconsciously to the framework which dictates socially accepted values.

C.1.4 Theoretical basis and methods of analysis

The theoretical basis of the research framework on which the research in Southeast Asia was carried out, will now be presented. In order to operationalize culture, a research framework was created by linking two normative approaches (Hofstede's and Trompenaars' dimension-analytical approaches of empirically based culture theories). By connecting both models it is possible to make more comprehensive and concrete statements on how values and their impact on cultural behaviour (Kulturverhalten) influence consumer behaviour. Prior to presenting a research framework, Hofstede's and Trompenaars' approaches are to be explained and discussed. Theoretically Hofstede's approach is based on the works of the social anthropologists Margaret Mead (2000, 2002) and Ruth Benedict (2006a, 2006b). According to their observations all societies are faced with similar fundamental problems. The solutions to these problems with which different people have come up can, however, be extremely diverse. According to Inkeles and Levinson (1969) the following fundamental problem situations can be distinguished from each other: (1) the relationship between the individual and society, (2) the individual's attitude to masculinity and femininity (3) the relationship to authority (4) ways of dealing with conflict (how to control aggression and how to express feelings).

For every individual there is a unique interaction between genetic makeup and environmental influences. This interaction causes every individual's uniqueness to be visible as surface characteristics in his or her personality. By using the so-called onion model, Hofstede symbolizes in which way this is apparent. The deeper a culture layer is, the less obvious is its composition and are its consequences. In the same way in which the core of the onion can be exposed by removing the outer layers, the quintessence of a culture can be revealed, as can the perception of the world. Hofstede, in the so-called pyramid of mental programming summarized his view of how a country's culture generally influences human behaviour (Hofstede 2005: 4).

Figure C-2 Pyramid of Uniqueness in Mental Programming



”Human nature“, namely what every human being has in common due to his or her genetic makeup, is symbolized at the bottom level of the pyramid. This structure embodies the operating system (“Betriebssystem”, Vogelsang 1999: 40) (to express it in terms of an analogy with the computer) which determines physiological (for example breathing reflex), and to an extent, psychological functions (for example fear of unknown, intensive and sudden unexpected stimuli). Culture is learned, not innate. It derives from one’s social environment rather than from one’s genes. Culture should be distinguished from human nature on the one hand and from an individual’s personality on the other. The tip of the pyramid describes “Personality“. Hofstede (2005: 5) writes that the personality of an individual is their personal set of mental programs that does not need to be shared with any other individual. It is based on traits that are partly inherited from the individual’s unique set of genes and partly learned. Learned here, means modified by the influence of collective programming (culture) as well as by unique personal experiences.

Hofstede sees culture as software learned in a social environment which, for example, determines how the emotion “fear” is appropriately to be expressed in a given socio-cultural context. That is now the classic quote according to which culture is collective programming of the mind which differentiates members of one group or category of people from another (“die kollektive Programmierung des Geistes ist, der die Mitglieder einer Gruppe oder Kategorie von Menschen von anderen unterscheidet”, Hofstede 1993: 19).

Hofstede's suggestion on how to operationalize culture is the most comprehensive till now. The decisive factor is that in the initial phase of the study he had a data bank to fall back on, in which the results of a survey with IBM employees from 72 branches in 40 countries were recorded. The survey dealt with 32 statements pertaining to work related moral concepts (attitudes). In the second phase of the survey study the investigation was extended to 50 countries and three regions (Hofstede 1991: 252). A total of 116,000 testimonials from 38 professional backgrounds took part in the first two study waves and the following studies from 1968 till 1992. The questionnaire had to be translated into 20 languages.

Hofstede proceeded to evaluate the data collected correlation-statistically in order to reduce it to four dimensions by using factor analysis. The resulting four dimensions are: whether individualistic or collectivistic values dominate in a culture region, whether the existing power distance is accepted or not in a society, whether feminine or masculine values are the norm; and whether uncertainty avoidance or the pursuit of "new" predominates. All these affect the most diverse life and work spheres as is shown in his list of selected consequences of cultural programming.

These so-called culture dimensions have been defined by the author as collective mental programming of a population. In a further step, Hofstede defined idiosyncrasies which co-vary with the poles of the culture dimensions. These characteristics refer to societal norms, effect on the political regime, religion, philosophy, ideology and their consequences for companies and organizations.

The countries with which Hofstede did not deal in his investigations were assigned a culture-index by Weidmann (1995: 53) among others. This is partly based on considerations of plausibility or was considered on the basis of other empirical investigations' findings. Furthermore, these findings are polemical in individual cases.

Scarcely another scientific work is as often quoted and reviewed as Hofstede's "Culture's Consequences" (first published in 1980 with a second edition appearing in 2001). This monograph had been listed over a thousand times in leading scientific journals by September 1983. According to the Social Science Citation Index (SSCI), 80 percent of these quotations were taken in the second half of the 1980s. Even if a presumably potential part of these are merely compulsory quotations, it can without doubt be considered a resounding success. The reviews of "Culture's Consequences" which had been presented by the mid 1990s agreed that, in view of the dramatic growth in importance of international operating companies, this book appeared just at the right time (Galdwin 1981: 681) and created an "I see" experience (Sondergaard 1994: 448), for a whole generation of scientists and managers. Furthermore the general awareness of scientific and practical meaning of the multicultural phenomenon was clearly focused. In fact from around the mid 1980s, more and more works appeared which focused on the analysis of international interaction (mostly with the outcome that a country's culture significantly influences managers' decision-making behaviours and the company strategies preferred by them).

Initially Hofstede's work was mostly considered stringent. It fulfils the criterion of methodological and scientific rigour due to the competitive methods of analysis being used, the pursuit of comparability of sample surveys, the securing of equivalence as well as further development of the culture concept (Neghandi 1974). However, criticism became more vocal, too. Kagitcibasi (1997) considered the research strategy to be untheorized and solely empirical. Rather than developing the operationalization from a theoretical concept starting point, Hofstede had instead merely interpreted existing data theoretically at a later date. Schooler (1983: 167) or Triandis (1982: 89) on principle also doubted that it was possible to obtain stable values from the attitudes surveyed. Furthermore, the sample survey was criticized because it was limited to employees of a single company, thus lacking external validity. It was undoubtedly problematic, too, that country and culture could simply be interchanged. To exchange the former as a proxy variable for the latter is often doomed to failure since the majority of countries is multicultural (Nassig et al. 1991: 79). Furthermore, the IBM corporate identity would overlay various countries' cultures. Moreover, a differentiated culture model could presumably have been developed had they had a representative sample which included employees from other companies. This would be owing to a greater data variance. However, since, only due to this atypical situation, i.e. to exploit the IBM-internal infrastructure, was it possible for Hofstede to conduct a field study of this scale. Therefore this criticism is superfluous. Additionally, numerous following investigations have shown that the measuring approach, initially exclusively targeted at the work sphere, was valid when applied to other fields (e.g. consumer behaviour) (Schuh 1997: 84).

Following the tradition of debate, quantitative versus qualitative methods (Müller 1999), others doubted on principle the capability of survey (question) methods to mirror social reality (Lamnek 1993). Yoo and Donthu (2002) reviewed the second edition of Hofstede's work which was published in 2001 with some chapters completely unaltered and others completely reworked. Moreover the culture scores of 50 countries, i.e. also of those ten countries which were not included in the first edition due to having insufficient sample size (n = 56 to 132) per country, were excluded from the study since up to then they were considered to be unsatisfactory. However, it is incomprehensible why these scores are now considered to be satisfactory. Yoo and Donthu (2002) criticize above all the fact that the author simply makes the effort to defend himself and his work against the criticism which has been raised since 1980 instead of rectifying the existing weaknesses. From many colleagues' point of view, Hofstede would simply reject that the phenomenon of a transformation of national culture would be comparable to a change of values even though numerous studies indicate the opposite. According to Oyserman et al. (2002) the Japanese and South Koreans have in many aspects become more individualistic and less collectivistic than the Americans.

The suspected reason for Hofstede's insistence on the assumption of country score stability (the empirical basis of which was created by him from 1967 to 1973) is still germane. Moreover it is a prerequisite for the validity of the data. Only if these culture scores are considered stable, are they still valid. Hofstede argues that value or cultural transformation is not a homogenous process. The reason that value and culture change is not a homogenous process but translates itself differently in the various social strata and groups of a country, offers a possible explanation for the previously described transformations.

Between 1980 and 1992 Hofstede's study was replicated 61 times and tended to have mostly similar results. While Hoppe (1990), Shackleton and Ali (1990) and Punnet and Withaney (1988), confirmed the four-dimensional structure of the culture model completely, others reported only partial accord (for example, Chew and Putti 1993; Fidalgo 1993). Despite the considerable justifiable criticism, the underlying implications of Hofstede's approach are undisputed. Hofstede was able to present via a paradigm the influence of culture on a concrete research object (for example cooperation of employees from different cultures). In addition, he managed to arouse worldwide interest in the subject "culture and management". The special role with which Sondergaard (1994: 454) endows this work, results not least from the fact that a host of sciences (human resource management, organizational theory, marketing, intercultural psychology and social psychology) implement this culture concept. To sum up, according to reviewers, the book has dramatically facilitated culture comparative studies and continues to be the best available source for national culture analysis.

Besides Hofstede's dimension-analytical model, that of Trompenaars (a student of Hofstede) and Hampden-Turner is also applied to intercultural research. Trompenaars investigates cultural differences primarily from a practical management viewpoint. The Dutch social scientist interprets culture as a path along which human societies find solutions to problems (Trompenaars 1993: 18). According to this observation, these problems are similar worldwide; there are always difficulties arising from the relationships with fellow humans as well as those arising from the attitude to time, work and nature.

When putting this approach into a concrete form, the author follows those dimensions named by Kluckhohn and Stodtbeck (1961) (human nature orientation, man-nature orientation, relational orientation, time orientation and activity orientation) and those of Parsons and Shils (1951: 77) who in their "General Theory of Action" describe complex social constructs which would determine human action" and name them (1) human nature orientation, (2) man-nature orientation, (3) relational orientation, (4) time orientation and (5) activity orientation. In the latest research carried out by Trompenaars, the following two constructs also appear: (6) short-time versus long-time and (7) inner-control versus outer-control orientation (Trompenaars and Woolliams 2004). Basically, Trompenaars like Hofstede uses as a structuralist definition of culture as a starting point and works with a layer model of culture which corresponds to Hofstede's. The complex constructs presented above (which would determine human actions) would correspond to the core of culture, (that is the values in the layer model) which are, as previously mentioned, the starting point of Hofstede's and Trompenaars' researches.

A comparison of Hofstede's dimensions with those of Trompenaars reveals the following. Of the seven value dimensions, two reflect closely the Hofstede dimensions of collectivism versus individualism and to a lesser extent power distance. Trompenaars' and Hampden-Turner's communitarianism versus individualism value orientation seems to be virtually identical to Hofstede's collectivism versus individualism. Trompenaars' achievement versus ascription value orientation, which describes how status is accorded, appears to be linked to Hofstede's power distance index, at least if one accepts that status is accorded by nature rather than achievement, and that this reflects a greater willingness to accept power distances. It is, however, not a complete match, as Hofstede's power index does not only relate to how status is accorded, but also to the acceptable power distance within a society, an area that is not touched upon by Trompenaars and Hampden-Turner. Trompenaars' universalism versus particularism value orientation, describing a preference for rules rather than trusting relationships, could be interpreted as part of Hofstede's uncertainty avoidance dimension on the one hand, and to some extent the collectivistic versus individualistic dimension. Trompenaars' diffuse/specific value orientation, describing the range of involvement, seems to have no direct link to any of Hofstede's dimensions. Human-Time relationship is closely related, if not identical, to Hall's polychronic and monochronic time perceptions. The Human-Nature relationship appears to be closely related to the Human-Nature relationship in Strodbeck and Kluckhohn's (1969) value orientations.

Trompenaars' dimension-analytical approach is likewise based on empirical preliminary investigations. In manager workshops, Trompenaars questioned 15,000 participants from 47 countries (approximately 75 of whom were executive and 25 percent were administrative staff). In contrast to Hofstede who took his sample exclusively from IBM employees, other companies (for example, AT&T/USA, BSN/France or Heineken/Netherlands) took part in this study. The aim of the investigation was to ascertain universally valid cultural dimensions: "shared ways groups of people understand and interpret the world" (Feichtinger 1998: 58).

The scientific value of this work was considered by many to be more limited in scope than Hofstede's, and is not considered to be in the same league as his study. This is for one, because of a failure to expose the research concept. Among other things the reader lacks the customary exact documentation of the research design, procedure, details of the period of the investigation and sample survey composition or the validity and reliability of the findings. In addition, Trompenaars refrains from discussing his theoretical basis critically. Incidentally there is little more than the hypotheses that western countries are the heritage of the Christian West and that oriental countries are coloured by Confucianism and Buddhism, behind many statements. Furthermore, it is not entirely comprehensible which criteria or algorithm the author, in the 16 statements of his questionnaire, applies to the seven culture dimensions. The reader has also to ask how two or three questions per culture dimension are weighted, i.e. summarized in an index value, especially since many countries on one subscale have such extremely different scores. To compound this, the individual countries were given a ranking according to the 16 questions but were not however given a ranking in the seven dimensions.

Like Hofstede, Trompenaars is able to refer to an impressive database - 15,000 managers from 47 countries. However, since the sample survey took participants from the author's intercultural training seminars, serious deficits with the sample survey are inevitable (Schmid 1996: 270). Besides which, the period of investigation is unclear. Hofstede, as well as Trompenaars and Hampden-Turner, derive their data from questionnaires that were distributed among professionals – in the case of Hofstede among employees of IBM, and in the case of Trompenaars and Hampden-Turner among a large number of executives from different organizations. Hofstede's work is based on a questionnaire originally designed to evaluate work values, and, not surprisingly, it is mostly focused towards that end. Trompenaars' and Hampden-Turner's questionnaires on the other hand ask respondents for preferred behaviour in a number of both work and leisure situations. What both studies have in common is that in both questionnaires the focus is on the ultimate goal, and that the underlying values are derived from a series of questions about more outer layers of the "culture onion". This research focus gives both approaches a very practical flavour. Yet at the same time, the underlying value claims are frequently the result of very little data, or are derived from a limited number of questions. This has at least the potential to disturb significantly the derived value predictions. It may also conceal certain dimensions, or values may be wrongly derived because of certain situational influences on the respondents.

In spite of the documented conceptual and methodological criticism, the underlying significance of this dimension-analytical approach is undisputable for both works and complies with the requirements of intercultural marketing with regard to (1) high information demand, which increases with the internationalization of the company (the number of regions, countries, cultures) targeted, (2) general practical orientation of marketing (3) intercultural marketing's general necessity to work in a culture comparative manner.

The above mentioned complex constructs which determine human behaviour correspond to the core of culture, or the values in the layer model which, as already mentioned, form the basis of Hofstede's research. Due to their having the same structuralist definition of culture, it is possible to combine the partly differing dimensions of Hofstede's and Trompenaars' models and combine and merge them into a new, integrative research framework. As a result of integrating the initial models into a new research framework, the number of the dimensions increases. Thus the relevance and explanatory potential of the model in terms of its relation to the number of dimensions or orientations (the term assigned to dimensions in the integrative model) increases its explanatory capability in relation to consumer behaviour. A comparative analysis of Trompenaars' and Hofstede's dimensions results in the following.

The guidelines, i.e. the dimensions (value orientations) from both models with which the following discourse is worked, i.e. the existing models to operationalize culture, will serve as the basis of consumer research in intercultural marketing. In intercultural marketing, consumer research is the central variable and needs to be assigned research technically in an appropriate way.

The retort of critics of a structuralist definition of culture, (which is the starting point of this thesis and serves as a research framework for a dimension-analytical model), is that intercultural marketing ought to be freed of its standardization strategies. This can only be achieved however, if empirically verifiable and dimension-analytical quantifiable differences between cultures, whether on a macro (country) level or micro (social groups within a country) level are included in culture comparative studies. Intercultural marketing attempts even more so than international marketing to overcome the descriptive and partly pre-scientific phase. It is desirable to develop explanatory approaches, which, with the exception of isolated cases, allow the generalization of theoretically based statements which in turn allow the construction of prognosis, which allow checking their workability - in short - which allow one to work scientifically. The intercultural starting point should most importantly enable knowledge to be generalized and concrete occurrences to be predicted.

An integration of both models is justifiable on the grounds that the models originally developed for intercultural management (not for intercultural marketing) were only intended to reflect the internal corporate sphere. Employees from different cultural backgrounds collaborate in this corporate sphere and are therefore possibly faced with culturally based conflicts and not with those existing outside the corporate sphere, i.e. the entire life sphere (life world), where consumer decisions are made. The entire life sphere and the decisions to be made within it, is much more complex since it does not have the underlying corporate maxim of profit maximization (decisions made within the corporate world). Rather, purchasing decisions are subjugated to the much more complex utility maximization.

The raised complexity of decision-making outside the company is the reason for this thesis having an underlying model with ten dimensions (or orientations) rather than the five or seven dimensions found in Hofstede's and Trompenaars' models. Hofstede's and Trompenaars' dimensions did not appear to be sufficiently comprehensive for the investigation of consumer behaviour. Only their being combined in a new model allows graphic analysis, concrete description and an all-encompassing understanding of consumer behaviour and the effect of culture upon it. A purely descriptive presentation of consumer behaviour and of consumers' social environment (life world) would not have justified the aims of this thesis which were: firstly, to develop a model with which consumer behaviour and its underlying value orientations (culture core in the layer model) can be compared culturally on a country-wide and other levels such as that of social groups (ethnic minorities, for example) and secondly, to explain the cultural circumstances which are responsible for different consumer behaviour patterns, and thus not only to describe them but to understand them.

C.1.5 The integrative analytical diagram for intercultural marketing

The integrative model serving as a research framework for this study unites Hofstede's five with Trompenaars' seven dimensions, which would result in twelve dimensions. Since two dimensions overlap, the integrative analytical diagram only lists ten. These dimensions will henceforth be described as orientations in order to differentiate the new model from Hofstede's and Trompenaars' original one. The model presents ten basic orientations (culture core in the layer model) (Figure C-3).

The reasons why Hofstede's and Trompenaars' models were selected and merged into a new analytical diagram have been stated in the preceding paragraphs (why the following comments fail briefly). Rationales behind this choice are the following. The empirical culture theories (as presented by Hofstede and Trompenaars) are based on dimension-analytical approaches which facilitate to research culture with the help of a formalized calculation (factor analysis) (Table C-1). These factor analyses generate dimensions which can be used to compare different cultures (C.1.3 - C.1.4). The aim of Hofstede's and Trompenaars' works is to identify and compare these dimensions across countries (C.1.3 - C.1.4). By connecting both models it is possible to make more comprehensive and concrete statements on how values and their impact on cultural behaviour (Kulturverhalten) influence consumer behaviour. An integration of both models is therefore justifiable on the grounds that the models (originally developed for intercultural management and not for intercultural marketing) were only intended to reflect the internal corporate sphere. However, the work's underlying research objective is to analyse consumer behaviour which takes place outside the corporate sphere, i.e. in the life world of consumers. The life world of consumers is far more complex than the corporate sphere which was the object of study of Trompenaars and Hofstede (particularly intercultural communication). With regard to this complexity the analytical diagram with consumers as its research object had to fulfil the requirements of a higher information demand, general practical orientation of marketing and intercultural marketing's general necessity to work in a culture comparative manner.

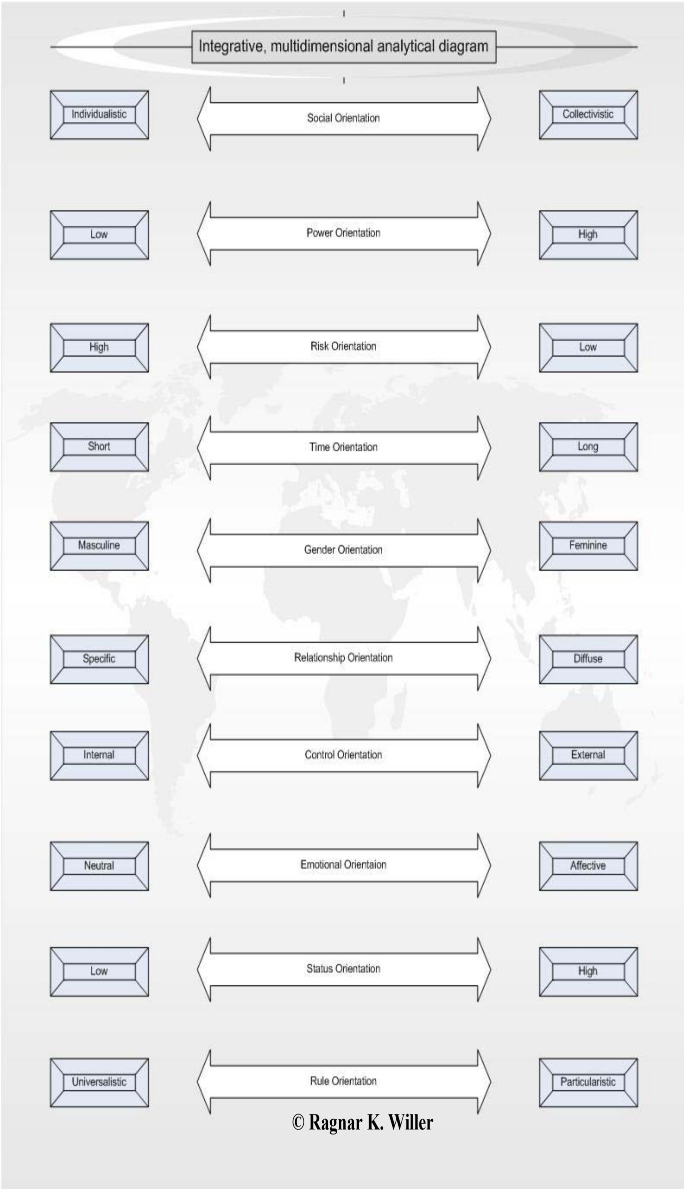
The ability to use the analytical diagram for cross-country research (or cross-ethnic [in case the analytical diagram is implemented below the country level]) was another reason why a dimension-analytical approach was selected. The advantages of these dimension-analytical approaches are (1) they can be linked to culture comparative advertising research, (2) for the purpose that one could expect selected interviewees to be acquainted with the theories owing to their international education and high position within the corporate organization, (3) that the model's simplicity made it easily accessible to the interviewees and (4) that these approaches have come forward with empirical data for Southeast Asia.

The analytical diagram has proved rewarding in a multitude of ways. Firstly, it enables researching consumer behaviour in the context of culture. This is novel since conventional international marketing literature is predominantly overly-economic and unequivocally quantifiable. Secondly, the model is application-oriented in the sense of allowing readers themselves to apply the model's underlying structured approach. Thirdly, it is applicable to different countries (macro-level), and simultaneously to sub-groups, for example certain ethnic groups. Fourthly, the focus of the model is how and why a particular behavioural pattern transpires. Fifthly, the model enables explanations that surpass stereotypical generalizations.

The fundamental idea behind the work's underlying research approach is the following. The cultural environment determines the context in which the purchasing decision is made. The respective orientation's score leads to different consumer behaviour, which must in turn be acknowledged by intercultural marketing, and be interpreted in the form of the adapted 4 Ps for market strategies. Consequently the analytical diagram assisted this thesis in two ways. Firstly, it offered the theoretical basis to put to the test whether or not a global consumer exists, and secondly it provided support for the investigation of other markets and their cultural peculiarities (model transferability and comparison enabling).

The model can be represented visually in the following way (Figure C-3).

Figure C-3 Analytical diagram for intercultural marketing



Each arrow represents one orientation (dimension). A total of ten orientations were the starting point of this investigation. Both ends of each arrow are to be seen as opposing poles of an orientation. In this way the social orientation is described as the conflict between collectivistic and individualistic cultures. The individual orientation and the area of conflict in which they can move will be defined in the following sections which address the analysis of Indonesia.

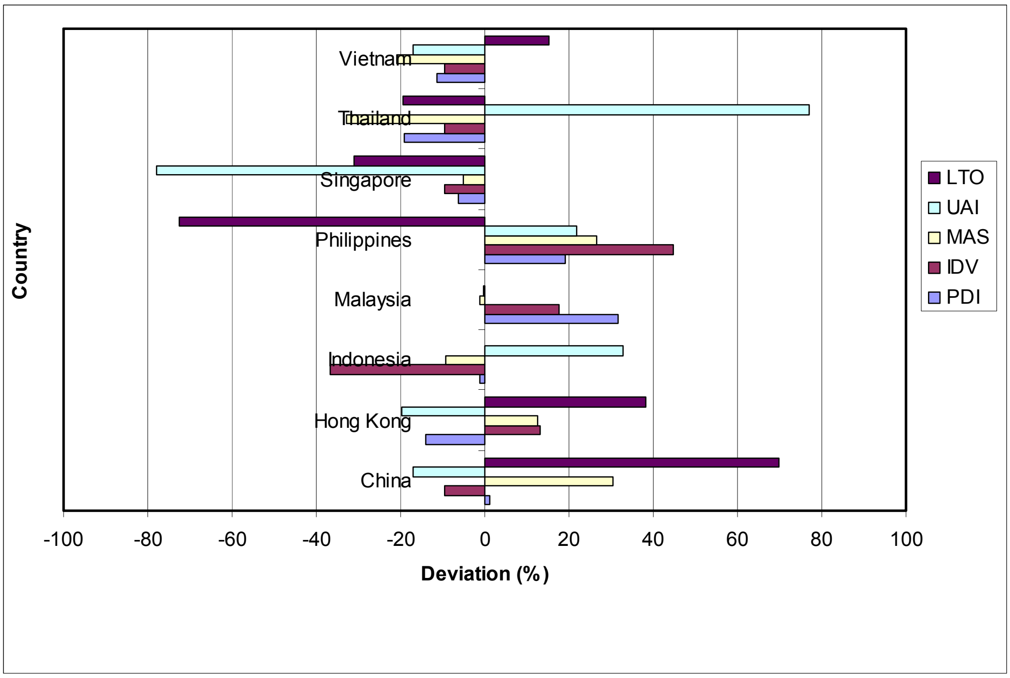
The list or order of the orientations in the figure and that of the individual orientations in their discussion does not reflect specific importance or ranking. The ranking of the orientations in the diagram and in the discussion is chosen at random. Only following the analysis of the individual orientations, will a ranking in order of importance of its impact on consumer behaviour in Indonesia be created. Since this order of orientations can vary, owing to their differing importance from country to country (or social group - should a micro-level investigation take place), the orientations can only be put into their respective order upon completion of the analysis. In addition, correlations between certain orientations were presumed, i.e. that scores on some orientations might positively or negatively be related to another orientation's score (high or low). This assumption was later confirmed during field research and will be discussed later (C.2 and C.3).

The terms "individualistic" and "collectivistic", for example, as they are commonly used in their broadest sense, do not apply to the definition put forward by Hofstede and Trompenaars, which serve as the basis for this respective research. The same applies to all of the other ten orientations.

After the above presented model of intercultural marketing's ten orientations, the empirical data was assigned to the individual orientations (deriving either from Hofstede's or Trompenaars' model respectively). Merely by relating Hofstede's data to the respective orientation in the new integrative model, and by comparing randomly selected Asian countries' scores and the scores' mean value, a picture emerged that shows Asia's countries and their scores to be widely heterogeneous. Furthermore, it weakened the belief prevalent in many companies that there is such a thing as universal Asian consumer behaviour.

The following figure (C-4) presents the experimental standard deviation of each orientation score (by country) from the mean score of the respective orientation of all eight countries. Thus it appears that the respective deviations are high already for the case presented here where only Asian countries have been selected and their scores compared. The deviations are even higher when one includes other, non-Asian countries. Based on the assertion, that the orientations significantly affect consumer behaviour the suspicion is confirmed that due to the high deviations the existence of globally homogenous consumer behaviour must be doubted.

Figure C-4 Hofstede Country Scores (of randomly selected Asian countries)



Caption: **PDI** (power-distance index), or power orientation; **IDV** (individualism index), or social orientation; **MAS** (masculinity index), or gender orientation; **UAI** (uncertainty avoidance index), or control orientation; **LTO** (long-term orientation), or time orientation.

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Table C-1 Hofstede Country Scores (of randomly selected Asian countries)

No	Country	PDI		IDV		MAS		UAI		LTO	
		index	deviation (%)	index	deviation (%)	index	deviation (%)	index	deviation (%)	index	deviation (%)
1	**China**	80	1,27	20	-9,60	66	30,37	30	-16,96	118	69,78
2	**Hong Kong**	68	-13,92	25	12,99	57	12,59	29	-19,72	96	38,13
3	**Indonesia**	78	-1,27	14	-36,72	46	-9,14	48	32,87	NIL	NIL
4	**Malaysia**	104	31,65	26	17,51	50	-1,23	36	-0,35	NIL	NIL
5	**Philippines**	94	18,99	32	44,63	64	26,42	44	21,80	19	-72,66
6	**Singapore**	74	-6,33	20	-9,60	48	-5,19	8	-77,85	48	-30,94
7	**Thailand**	64	-18,99	20	-9,60	34	-32,84	64	77,16	56	-19,42
8	**Vietnam**	70	-11,39	20	-9,60	40	-20,99	30	-16,96	80	15,11
	Mean	79		22		51		36		70	

Caption: **PDI** (power-distance index), or power orientation; **IDV** (individualism index), or social orientation; **MAS** (masculinity index), or gender orientation; **UAI** (uncertainty avoidance index), or control orientation; **LTO** (long-term orientation), or time orientation.

After several statistical preliminary investigations of this kind were carried out, the model serving as a research base was examined and applied to Indonesia. Previously hypotheses were made that, for example a high score towards collectivism in the social orientation labels it as collectivistic (in the tradition of Hofstede and Trompenaars) and is reflected in a - for collectivistic scoring societies - characteristic visual language in advertising (as was outlined by de Mooij 2005). This loosely pursues Niklas Luhmann's (1996: 9) idea: "Everything we know about society or even about the world is thanks to mass media" („Was wir über unsere Gesellschaft, ja über die Welt, in der wir leben, wissen, wissen wir durch die Massenmedien", translation by author). Luhmann refers this quotation to advertising, too. Norbert Bolz (1996: 77) articulates this more provocatively: Advertising is the most conclusive self-description of our culture („Werbung ist die schlüssigste Selbstbeschreibung unserer Kultur", translation by author).

Through analysis of TV and print advertising, the hypothesized impacts of the orientation on advertising were able to be examined on site and discussed with experts in Indonesia. To this end qualitative interviews were conducted which allowed conclusions to be drawn concerning consumer behaviour in several regions of the country. Furthermore the interview questions were targeted at which element (i.e. language and/or religion) Indonesians themselves could associate with a certain orientation's score.

The advantage of the explained operationalization of culture (empirical based culture theories) is its applicability in the field of culture comparative analysis, which does not allow a comparison exclusively between countries, but also between social groups, for example ethnic groups living in one country. Only being freed from the fixation with country comparisons and the interchangeability of culture and territoriality separated regions (country) will enable companies to set-up a target group affined international marketing approach (i.e. intercultural marketing). The majority of countries are not culturally homogenous; rather they are culturally pluralistic. As already presented, widely different ethnic groups cohabit in Indonesia, a multitude of different languages are spoken, and besides Islam and Hinduism, other religious communities colour spirituality and reality. Thus, from a scientific point of view, the variable "country" is on the whole a poor indicator of culture, at best a less than satisfactory substitute.

In spite of the polemic problem of interchangeability of country and culture, this is often the sole practical possibility not only for research economical reasons (Schmid 1996: 260). Furthermore, managers and researchers etc. find it easier to think in fewer (and as a result wider-ranging) categories. Firstly from a research economical standpoint and additionally from necessity to test the explanatory potential first on a country level prior to extending it to ethnic groups (micro level), the analytical diagram had to be tested on a country level, i.e. Indonesia, in order to analyse the general Indonesian society's consumer behaviour first before carrying on the investigation to various ethnicities. The necessity to customize the corporate strategy can be derived from the positioning of a respective country in the value analytical diagram. Whether it ought to be standardized or differentiated can be decided rationally and not only dogmatically or intuitively, with the help of the model. A car manufacturer in a masculine scoring country for example, would presumably implement advertising messages which reflect significantly more dynamism and aggressiveness than in a feminine scoring country, where, for example, the appeal for needs such as safety and caring would spell success.

All that remains is to present and explain the results of research in Indonesia based on their application to the above introduced integrative analytical diagram.

C.2 THE ORIENTATIONS

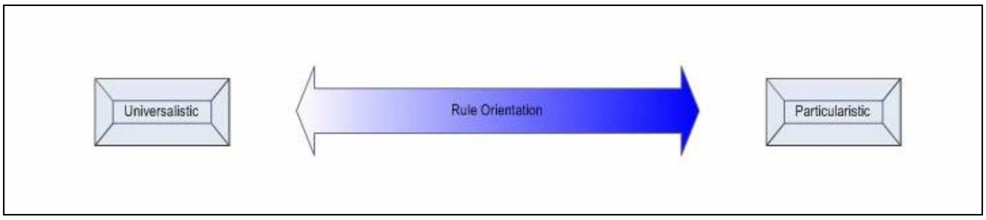
C.2.1 Rule Orientation

C.2.1.1 Definition

The rule orientation defines how one judges other people's behaviour. One differentiates between universalistic and particularistic societies (Trompenaars and Hampden-Turner 1997: 29-4), which are distinguished by the respective behavioural nature of their members. Trompenaars' and Hampden-Turner's "universalism versus particularism" value orientation describes a preference for rules rather than trusting relationships. Universalistic cultures tend to feel that general rules and obligations are a strong source of moral reference. People from these cultures tend to follow the rules and look for a single best way of dealing fairly with all cases (Trompenaars and Woolliams 2004: 51). "Do not lie. Do not steal. Do unto others as you would have them do onto you" (the Golden Rule), are some of the standards adhered to in universalistic cultures (Trompenaars and Hampden-Turner 1997: 31). People from universalistic cultures assume that the standards they hold dear are the right ones, and attempt to change the attitudes of others accordingly. Universalistic, or rule-based behaviour, tends to be abstract and to imply equality in the sense that all persons falling under the rule should be treated in the same way (Trompenaars and Hampden-Turner 1997: 31). Particularistic societies, on the other hand, are those where particular circumstances are much more important than any rules. Bonds of relationships, such as family and friends, are stronger than any abstract rules, and responses may change according to circumstances and the people involved (Trompenaars and Woolliams 2004: 51). The person is not "a citizen" but one's friend, brother, wife or person of unique importance. One must therefore sustain, protect or discount this person no matter what the rules say. Personal relationships may be of greater importance than the rules in these societies, which is the reason for them being called relationship-based societies.

Empirical findings on the first orientation present Indonesia as rather particularistic and it scores similarly compared to China and Singapore (Trompenaars and Hampden-Turner 1997: 35; Boucher-Floor, THT Consulting, email August 2005). However, the charts presenting the country ranking for this dimension offer a rather patchy picture for Indonesia and other Asian countries thus leaving many questions unanswered (Trompenaars and Hampden-Turner 1997: 37) and rendering a detailed investigation necessary. Owing to the data available, it can preliminarily be assumed that Indonesia is rather particularistically oriented, as is reflected in the following figure (C-5).

Figure C-5 Indonesia scoring rather particularistically



C.2.1.2 The orientation's cultural foundations

Since Trompenaars and Hampden-Turner (1997: 35-36) see a connection between religion and the first orientation, the inclusion of other Muslim countries' scores in the rule orientation might have offered some hints as to whether Indonesian society needs to be seen as universalistically or particularistically oriented with its results on consumer behaviour. Notwithstanding, very few Islamic countries were investigated, resulting in insufficient data being provided to make an accurate statement as to which direction Islamic countries tend. Additionally, a comparison with the neighbouring country Malaysia should be treated with caution, since, according to Ricklefs (2001: 9) the Islam of Java is "… rather different in style from that of Malaya or Sumatra". This was also confirmed by Braten (1999: 150-172). In the context of the cultural foundation of this orientation, Trompenaars and Hampden-Turner (1997: 35-36) argue: "universalists are more common in Protestant cultures, where the congregation relates to God by obedience to His written law", whereas Catholic cultures where there are intermediaries between God and his adherents, "forgive sins or make special allowances". Some religions, for example Catholicism, consequently are more relational and particularistic. This is reflected in the orientation's ranking (as presented by Trompenaars and Hampden-Turner) in which countries where the majority of the population is catholic, such as the Philippines, score rather particularistically (Boucher-Floor, THT Consulting, email August 2005).

The relationship between religion and this orientation is the reason why a look into Islam, as the religion of more than 88 percent of all Indonesians (Suryadinata, Arifin and Ananta 2003: 105), is necessary in order to look for indications as to whether Indonesian society scores particularistically or universalistically in general. This is a multifaceted undertaking since: firstly, it is evident that the modalities and cultural achievements of religions are far richer in Indonesia than in many other countries (in Indonesia disparate, even opposing, beliefs were fused into syncretistic practices over time, a sign of cultural acceptance). "Indonesians are fond of marvelling at the complexity of their own society" (Vatikiotis 1998: 92) underscores the validity of this observation. Secondly, Islam in Indonesia reveals little similarity to the far more austere Muslim regimes of the Middle East (whose Islamic countries score rather particularistically). Thirdly, the undertaking is complicated by the fact that some analysts tend to portray Islam as rather universalistic (no separation between religion and state, unity of the Muslim community "tauhid"), where others offer a different picture, i.e. they highlight its particularistic aspects.

The latter describe Islam as having a generally universalistic approach but some elements would suggest particularistic behaviours.

Despite its universalistic character in the sense of unity of all Muslims, certain elements, for example in “sharia” (sacred law) (Schimmel 1990: 54-56; Newby 2002: S), tend to make Islam rather particularistic. This can be seen in its display of gender relationships (Jones 2002: 219) and its distinction between non-Muslims and Muslims (Noerdin 2002: 179-186). This view is supported by the idea that the original Muslim community of Medina represented a monotheistic vision entrenched in a community of clans (Lapidus 2001: 37), placing a great deal of emphasis on bonds of relationship within kin groups. Moreover, in order to gain a complete picture of how religions and their core values could have shaped Indonesia’s particularistic or universalistic score, not only Islam needs to be considered. Other religious denominations need to be considered, given the diversity and discontinuities of religions in Indonesia.

It emerges therefore that an analysis of Islam for categorizing Indonesia as universalistic or particularistic is insufficient since the first Indonesian grown Islamic communities were established around the 1280s (Taylor 2003: 66; Ricklefs 2001: 3) and the earliest Islamic states not before the 15th century on Java (Schumann 1999: 435; Ricklefs 2001: 4-5; Damais 1957: 353-415). Woodward (1989: 53) writes in this context: “It is known that there was a Muslim presence in Java as early as the late fourteenth century” and thereby confirms the relative influence of cultural behaviour in Indonesian society owing to its late arrival.

Consequently, in Indonesia one is confronted with several landscapes of belief, some indigenous, others Muslim and Hindu, transposed with their respective values from India and the Middle East (Hall 1964: 12-24). Hinduism and Buddhism, Islam, and Christianity were brought in that order from across the ocean and absorbed without being superimposed on one another. Elements of the previous religions’ forms were preserved and integrated into the new faith (Islam) (Ricklefs 2001: 59). Thus, elements of all these religious customs can still be seen side by side today (Ricklefs 2001: 59-69). This can be seen in Indonesia where Muslim and pre-Islamic local identities and affiliations blend together. Islam came to the Indonesian archipelago during a period which Anthony Reid (1993, Vol. II, Ch. 3), has called the “age of commerce” (1450-1680). Islam was preceded by Hinduism and Buddhism (Kulke 2001: 349-350; Bellwood 1997: 138), which together with Islam and Christianity represent the major religions in Indonesia (Suryadinata, Arifin and Ananta 2003: 103-138). In addition, there are indigenous religions which have been practiced throughout the Indonesian archipelago for centuries (Schreiner 2001: 159) and are, with their affirmative character, an integral part of Indonesian identity (MP, interview December 2004). Their various forms continue to influence Indonesians today. “Religion came from across the sea, but customs and tradition came down from the mountains”, says an Indonesian proverb, demonstrating that indigenous religions have been around much longer than the world religions. The observation that

Islam was a seaborne civilization, adaptable to archipelago conditions, when Indonesian societies were converting (Taylor 2003: 73), underscores the perception of an unorthodox Islam, first introduced by Arab traders in the 7th century (Dahm 2002: 3; Schumann 1999: 434).

This rich cultural heritage of pre-Islamic Indonesia, often regarded as "classical" (Ricklefs 2001: 59), provides authoritative cultural standards and frames of reference even today. In this context, Johns (2002: 165-191) describes neither the arrival of Islam nor its development as being "spectacular". This is reflective of the idea that Islam is to be considered as a "cultural influence on the Indonesian scene, but not as the dominant theme" (Federspiel 2003: 202). "Islam in Southeast Asia has its own styles and its own temper and intellectual traditions" (Johns 2002: 165). Sacral practices and folk beliefs colour and live alongside the profession of Islam (Johns 2002: 165) since Islam was "transmitted at different levels of intensity and perceived in rather different ways according to the cultural backgrounds of the various communities" (Johns 2002: 171). He adds that numerous cults survived alongside Islam, together with practices and rituals and the set of spells and magical formulas that derived from the Indic and megalithic traditions (Kulke 1999: 349-369; Johns 2002: 172).

Moreover, for the examination of the rule orientation, it is imperative to look into explanations as to why Indonesians converted to Islam. Historians of Indonesia often refer to the Islamic concept of equality of believers as a powerful reason inducing conversion in the four hundred years of Islamization of the archipelago (Taylor 2003: 73). They contrast Islam's equality of believers before God with Hindu and Buddhist beliefs in a hierarchy of souls, and argue that this allegedly striven for equality by Islam was the reason for the conversion of many sections of the population. However, Taylor, for example, states that the idea of the Islamic concept of equality as the powerful reason for conversion is not tenable (Taylor 2003: 73). He argues, *inter alia*, that the view of Islam as having a concept of equality, "goes against Koran teachings that accord higher status to Muslims over non-believers, men over women, and owners over slaves" (Taylor 2003: 73). He supports this view by adding: "… the argument ignores the history of Islam in which binding rulings (fathwahs) proclaim submission of subject to a Muslim ruler as a religious duty (Taylor 2003: 73). Ricklefs, too, rejects the idea that Indonesians were attracted to Islam as its egalitarian ethos supposedly provided relief from the Hindu caste system, too. He argues: there is "no evidence whatsoever that there was anything egalitarian about Islam in practice … none of the Islamic societies … was in any sense egalitarian." (Ricklefs 2001: 15).

According to official figures, as stated beforehand, some 88 percent of the Indonesian population is Muslim (Suryadinata, Arifin and Ananta 2003: 104-105). This makes Indonesia the largest Islamic nation in the world. However, Islam as practiced here is much more liberal when compared with other Islamic nations. A referendum held in 1956 revealed that there was no majority in favour of turning Indonesia into an Islamic state (Dahm 1999: 230-231). Although many Javanese groups have accepted Sunni teachings in recent years, and although the revivalist "dakwah" movement has convinced many Indonesian Muslims to take their Islamic obligations more seriously, others have resisted for perpetuation of their own particular beliefs and practices (Hefner 1987: 533-554). Such revitalized Islamic activity, under the demand of the "Sunnatization" of life worlds, includes increased attendance at mosques, attention to fasting, performance of the pilgrimage and other indications of religious association. Despite the aforementioned re-Islamization of Indonesian society in the last 15 years or so, the indigenous elements are still lived, and Indonesian Muslims, in the main, have not followed the lead of some Malaysian Muslims, in adopting militant political attitudes and taking actions to further their Islamic agenda (Federspiel 2003: 207).

As practised today in Indonesia, Islam is strongly characterized by various elements of indigenous religions and local beliefs, as well as Javanese culture. Islam can be very orthodox as in Aceh, as well as virtually nominal, as in Central Java, where it is practiced in a blend with animism and Hindu-Javanese mysticism (Geertz 1956: 134-158). The large majority of Javanese, called "abangan", represent a very traditional Javanese view of the world. They do not adhere strictly to the teachings of Islam. Their view of everyday life and religion is strongly influenced by traditional Javanese opinions and elements carried over from the Hindu-Buddhist period. This is in contrast to the "santris", who represent about one third of the population and who are a closed society adhering strictly to Islam and its teachings. Ricklefs, who describes the diffusion of Islam as "one of the most significant processes of Indonesian history" (2001: 3) points out ,too, that Islam in Indonesia is a product of cultural assimilation and accommodation as encountered in the high culture of Old Java (Ricklefs 2001: 9). The following examples underpin this observation. Customary regulations (adat) remain significant in Indonesia's regional cultures, particularly in life-cycle ceremonies, such as marriage, birth, puberty, death and inheritance (Garang 1974: 10-42). The Department of the Interior was assigned the administrative oversight of Javanese mystical orders with instructions that these practices were to be nurtured (Federspiel 2003: 205). The common argument that Islam has been indigenized in Indonesia reflects the notion that attention should be given to tradition based on pre-Islamic Indic civilization. This indigenization is the reason why syncretism is still evident throughout the country. Hinduism and Buddhism made their way into the courts of the Hinduized states of Southeast Asia as early as the 7th century (Kulke 1999: 349).

Therefore, in Indonesia, cultural traits which influenced the first dimension in pre-Islamic religions must be traced, too, as Islam (as well as other religions making their way into Indonesia in later periods) was significantly enriched by mystic elements. Even though it makes sense to classify Indonesia as particularistic, it is necessary to take a look at why Hinduism and Buddhism seemingly back the hypothesis of Indonesia as particularistic. A history of Hinduized culture spanning a thousand years has left a legacy of diverse mystic traditions in the country. Hinduism is the oldest world religion and was the first to reach Indonesia. Although in Indonesia Hindu influences have been superseded or overshadowed by the influences of other religions (principally Buddhism and Islam), Hinduism left an impression lasting to this day (Hiltebeitel 2002: 3). Its heroic tales can be found in puppet plays and classic Javanese dances. Sanskrit, the language of the Hindus, made many inroads into both the Javanese and the Indonesian language (Sneddon 2003: 45; Nothofer 1999: 73-76). The "garuda", the legendary giant bird, has survived as the national emblem, and the word "Pancasila", describing the state philosophy, is derived from Sanskrit. Bellwood adds (1997: 139): "…the only ethnic group in Southeast Asia to have maintained a coherent – even if highly modified – Hindu tradition is the Balinese". This does not, however, imply that Hinduism influenced the cultural traditions that today at first sight appear unaffected by Hinduism, but which were influenced anyhow.

Hinduism, a Vedic religion, is characterized by a society organizing people according to a caste system (Klostermaier 1994: 333-344; Schluchter 1984: 45-50; Weber 1988: 108-114; Eliade and Culianu 1995: 291). The ideal social arrangement (organization) was to reflect the theory of the law of castes and life stages, which was worked out in texts as a model for the whole of Hindu society (Hiltebeitel 2002: 15). A person's duties vary according to caste and stage of life, not to mention other factors such as gender, family, region, and the quality of the times (Hiltebeitel 2002: 15). Hiltebeitel explains (2002: 15):

> *"…the ideal represents society as working to the reciprocal advantage of all castes, each one having duties necessary to the proper functioning of all castes, each one having duties necessary to the proper functioning of the whole and the perpetuation of their hierarchical principle that defines the whole." (Hiltebeitel 2002: 15)*

Not only Hinduism supports the idea of Indonesia being rather particularistic. Buddhism does, too. Buddhism, a religion without the caste system of Hinduism was, in pre-Islamic Indonesia, a religion in which "… a new elite of religious specialists appeared" (Goméz 2002: 61). Buddhist teachings are not absolute statements about reality which make it malleable to diverse populations (Goméz 2002: 71). Furthermore, the form of Buddhism which was assimilated by the Indonesian archipelago can be described as eclectic (Eliade and Culianu 1995: 277). Most of the Buddhist schools believed that only a few human beings could aspire to become fully awakened beings (Eliade and Culianu 1995: 264-277). But the attainment of liberation was a great achievement, and a person who was assured of an end to reincarnation (nirvana) was considered the most saintly, and deserving of the highest respect (Goméz 2002: 58). Swearer (2002: 119) adds that Buddhism in Southeast Asia was diverse and eclectic, infused with elements of Hinduism and became "transformed in the process" (120) and part of a larger Indian cultural influence. It competed with autochthonous forms of animism as well as Brahmanic cults (Swearer 2002:123) which are again particularistic due to their differentiation of society and particular behavioural systems for each stratum. Today, the majority of Buddhists are to be found in Java, and its followers are mainly found among Indonesian of Chinese descent. Buddhism reached the Indonesian archipelago via trade as did other religions (Ray 1994: 121). Although social status in Buddhism is not rigidly caste bound, it is however, linked to professions. Ray (1994: 124) notes: "… Buddhist literature emphasized the occupational divisions among the people and the distinction between the higher and lower occupations." This view reflects the idea of particularistic elements of Hinduism and Buddhism, which had dominated the Indonesian archipelago for more than one thousand years before the arrival of Islam and which are still present in Javanese traditions today (Hall 1968: 12-40). This would give reason to assume that Indonesia, formed by its rich cultural heritage of Hinduism and Buddhism, might score particularistically, following the dimension's underlying assumption of a relation between a country's score and religious history.

It is relevant to include Javanese social structure, too, in this comparative perspective, in order to better understand why it is plausible to describe Indonesia as rather particularistic. For centuries, Javanese social culture has deeply influenced Indonesian society. The Javanese have a tradition of absorbing foreign cultures and of blending them into their own culture in an unparalleled way (selective adaptation). Old and new, foreign and indigenous are all integrated, with long-standing traditions being continued. Even today, many Indonesians consider Javanese behavioural patterns as binding. Many Javanese principles have become, by extension, Indonesian principles (Dahm 1999: 231). The history of Javanese society, embodied in Javanese patterns of thinking and behaviour, still continues to shape present-day life, with harmony being the ultimate goal and conflicts being avoided at all costs (rukun) (Markham 1995: 67-71). Another key term is "display of respect" (hormat) (Markham 1995: 72-77). In all matters, "face" (preservation of face) plays a central role (Mulder 1990: 139).

These traditional Javanese cultural traits can still be found in most villages throughout Java. It is there that the division between the common people and the rich elite, as practiced for more than a thousand years, is still evident. The kings of the city states during the Hindu-Javanese era were perceived to have cosmic powers, and the king would rule his people with his magical powers (kesektèn) (Kulke 1993). Whilst the kings, and after them the sultans, were clearly superior to all worldly matters and viewed as deities (Kulke 1999: 103), the priyayi residing at the Javanese courts developed their own elite culture. There were court ceremonies and music, dances, courtly literature, and the art of batik-making, all of which blended into a culture for the privileged at the courts. Status and etiquette were inseparable from it. The sultanates of Surakarta and Yogyakarta, in particular, were the centres of "kejawen", the Javanese etiquette. Courtly culture had a particularly strong influence on social manners. All behaviour had to obey the rules of politeness; the objective was to be "alus", which means harmonious and reflective interaction. Refinement was the measure of all things (Keeler 1984: xvii-xxiv). In the opinion of the Javanese, the ability to be "alus" is a real symbol of power (Anderson 1972: 38). This included polished social manners as well as neat presentation. Acting differently was called "kasar", meaning rough, unrefined, uncontrolled and generally inconsiderate behaviour (Keeler 1984: xvii-xxiv). As was the tradition of a courtly culture, mystic rituals were the expression of the world view of a small elite, although Javanese mysticism with its teachings of inner values, "kebatinan", was and still is practiced by lower social classes, and traditionally expressed through various aspects of life, most notably the arts, which are again enjoyed by all social strata (Mulder 1979: 13). Social divisions in Indonesia are seen as the result of two thousand years of Hindu-Javanese development (MP, interview December 2004). Accordingly, there is a segment of “small people” (wong cilik), including peasants and the poorer classes on the one hand, and the “priyayi” on the other, consisting of civil servants, members of the wealthy classes, and more recently, intellectuals with university education (Koentjaraningrat 1960: 89; Geertz 1969: 6). Even today the priyayi enjoy a very high social standing (Markham 1995: 55). Good form, “kehalisan”, is their ideal. Priyayi have always been the stalwarts of the culture adhered to at the former Javanese courts. All the aforementioned examples support the notion that Hinduism has decisively shaped Indonesian culture. Headley (2004: 79) sums up nicely: “The hierarchy of a kinship system like that of the Javanese … insisting on a very rigid status system is linked to Hinduism”. Javanese aristocratic names often indicate status, as do clothes, language and behaviour. These attributes of Javanese culture do not only influence the first orientation, but also, as will be expressed later, other orientations, for example the status and the emotional orientation. Koentjaraningrat (1967: 391) writes in connection with social relationships in many parts of Indonesia: “Kingship, for instance, is one, but by no means the most important organizing principle”.

Reasons to argue that Indonesia scores rather particularistically can be found outside the religious sphere too, and have been agreed on by some political analysts. Freddy Kalidjernih explains this value orientation in the context of foreign relations (Kalidjernih 2001: 1-9). He reveals that particularism stands for relationship-based behaviour which is deeply rooted in Indonesian society. Also the idea of “bapakism” (literally fatherism) where a “bapak”, a superior (father), and a “anak buah”, an inferior (child), have reciprocal duties, speaks for a particularistic society. Bapakism is the Indonesian variant of the patron-client relations which can be found all over Southeast Asia (Dahm 1999: 243). According to Jackson and Rye (1978: 35): “These diffuse, face-to-face, enduring, non-contractual relationships are the primary social cement integrating Indonesian organization …” They go on (ibid: 35): “Substantial inequalities of income and opportunity exist throughout Indonesia…” People would interpret the huge social differences as “God given” (ibid: 35). Others see a relationship between corruption and particularistic societies.

To summarize, one can say that Indonesia seems to be rather a particularistic society than a universalistic one, and the aforementioned cultural traditions and religious conditions are regarded by the author as sufficient evidence to categorize Indonesia as rather particularistic (MP, interview December 2004). Once again the emerging consensus among researchers who believe that universalism is a feature of modernization *per se*, of more complex and developed societies, and who think that particularism is a trait of smaller, largely rural communities where everyone is known personally, could be rebutted. This is the case in many other Asian countries which, despite their modernized character, still score particularistically. Trompenaars and Hampden-Turner themselves doubt the opinion that universalism and modernization go together, as the dimension is closely related to religion (1997: 35).

After examining the hypotheses that Indonesian society is rather particularistically oriented, it is now necessary to examine the ramifications of this orientation on marketing and consumer behaviour.

C.2.1.3 The orientation's impact on consumer behaviour and international marketing

Choosing where to shop

Although a particularistically influenced consumer behaviour (which can be accommodated for by a marketing mix targeting these behavioural patterns), the benefit of explicit use of this orientation's meanings in relation to consumer behaviour seems to have been greatly underestimated in Indonesia until now. Cultural conditions of the orientation have led to a social life and consumption patterns in Indonesia which are more particularistic than in most western nations, which is the reason why the marketing mix must be customized to these cultural differences. As mentioned, in particularistic societies, relationships are especially important, for example those to family and friends. But the meaning of relationships can be extended to those outside this private social sphere, for example, those between buyers and sellers, and producers and distributors. These relationships tend to be close in Indonesia, where significance is attached to the interdependence between subjects inside and outside the marketplace. Interviews and observations showed that these linkages exist not only between the commercial players in markets (intra-market), but also between these players and the end-consumer (inter-market) (IS, interview October 2004; HS, interview December 2004). Even in Jakarta, which is a collection of villages each with its own market and stores (van Diermen 1997: 44; IS, interview October 2004), people from all social backgrounds still tend to shop daily und prefer local neighbourhood stores in view of the fact that in Indonesia's large cities, the traffic situation can only be described as chaotic. Those who do so, have built up strong relationships with their sellers. The boom of convenience stores (which are also called "neighbourhood stores", reflecting the importance of intra-community relations) is, as figures show, especially strong in particularistic societies (such as Thailand) and much less so in universalistic societies (such as Germany). Of course, there are generally many reasons behind such trends, but one could be that the particularistic consumer prefers a nearby shop (where one can meet neighbours and build-up a relationship with the employees) to an anonymous super- or hypermarket. This is true for relationships on traditional markets, as well as modern convenience stores or luxury boutiques (MP, interview December 2004), i.e. there is a dichotomy between formal/informal sectors, which are both capitalist modes of production and consumption reminiscent of Boeke's (1942) "theory of 'dual economy'".

Customer-relationship management (CRM) [pemasaran hubungan pelanggan]

Relationship-based consumer behaviour can be beneficial for companies if consumers are provided with services in ways reflecting the importance of particularistic, i.e. relationship-based conduct. Retail Asia[83], in its March edition 2005, mirrors this position by arguing that "providing a preferred customer experience" is one of the biggest challenges" (62). This experience is associated with the need to enhance in-store service and to maximize the use of relationship programs and loyalty schemes, as well as to conduct "…ongoing, rigorous analysis of customer-purchase patterns" (ibid: 62). Brian Moore added in Retail Asia December 2004 that: "… a high-invest customer has to be treated as a partner…" (55) and be targeted with appropriate strategies. The relationships are usually fostered by customer-relationship-management (CRM) programs which have been gradually implemented in some Indonesian companies. Not surprisingly, companies founded by Asians, i.e. from countries which generally score higher on the particularism ranking, set benchmarks for CRM programs. In this context, the CRM programs of Asian hotel chains, such as Mandarin Oriental[84] or Shangri-La[85] often set standards and have been copied by companies, whether competitors or players outside the hotel industry. However, Indonesia lags behind in the development of these programs, for example when compared to Malaysia, Thailand and Singapore, and it is the believed that these CRM programs can be adapted to the Indonesian consumer mindset in a more appropriate manner, i.e. by leveraging on the particularistic behaviour of Indonesians.

Figure C-6 Le Meridien Jakarta CRM

Customer-relationship management in Jakarta. An effort to tie wealthy Jakarta citizens to the hotel and its restaurants with an Indonesian specific CRM program "The Art of Living". Most luxury hotels in Jakarta offer such CRM programs (RD, interview December 2004)

[83] http://www.retailasiaonline.com/ (16 March 2006)
[84] http://www.mandarinoriental.com/hotel/507000006.asp (14 August 2005)
[85] https://www.shangri-la.com/gc/en/index.aspx (14 August 2005)

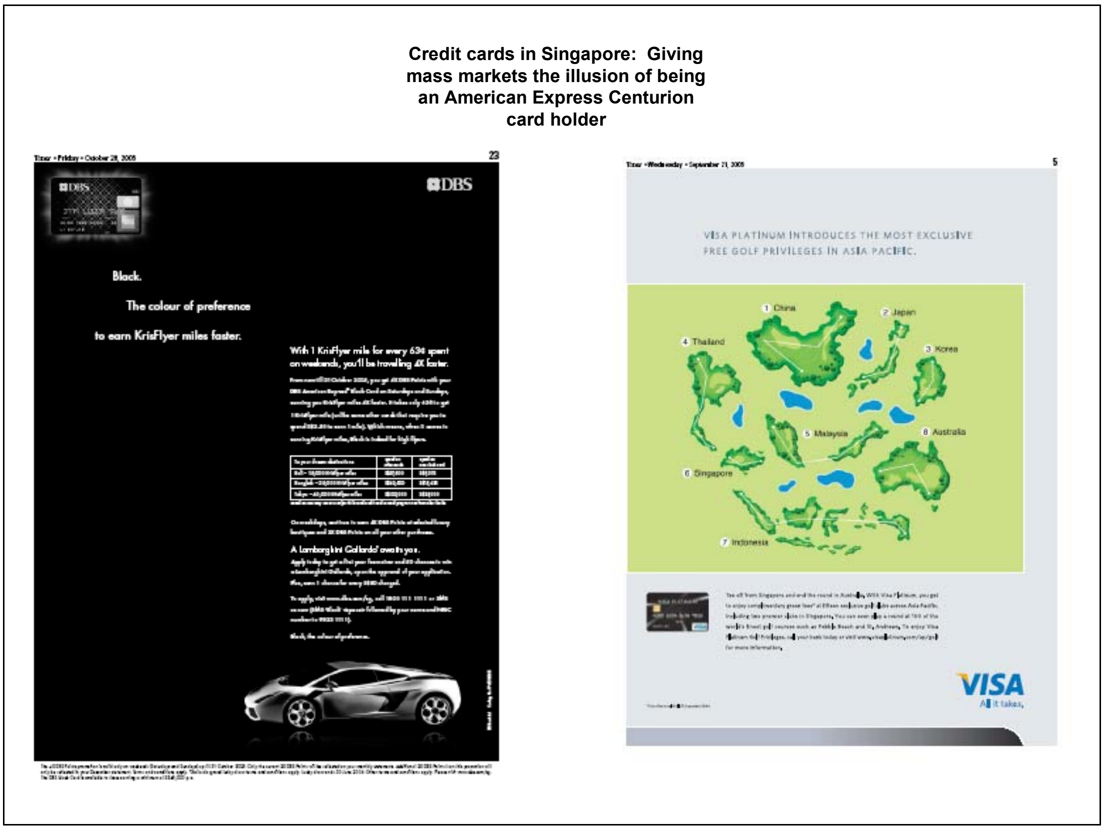
In Indonesia one CRM program is frequently quoted, mostly because of the size of its customer base. Matahari[86], Indonesia's largest listed retailer (Retail Asia December 2004: 22), which targets middle and middle-up market segments, offers one form of loyalty program through its Matahari Club Card (MCC). This program, pioneered in Jakarta, has more than four million members (Retail Asia December 2004: 24). Matahari's target is to become "…the store of choice for customers in the middle to middle-upper segment", as its president director and CEO Mailool notes.

Banking and the credit card sector (in contrast to the retail segment) introduced CRM programs in Indonesia early, since they were aware of the significance of personal relations. Financial services in Indonesia have also implemented a number of CRM programs resulting, for example, in the opening of numerous so-called VIP lounges at airports to pander to their customers. This has been incredibly successful and Indonesians who enter these lounges by showing their golden credit cards almost burst with pride. The high demand for, and easy availability of, gold cards in Indonesia has led banks to the strategy of upgrading most of their customers to platinum level in order to make them show their cards (HaS, interview December 2004).

Consumers do not only spend more on cards of higher tier levels, since they can signal their financial background via their cards, but also because the CRM can cater for card holders' requirements and wants in a more targeted manner. In the November 2004 edition of "Prestige Indonesia" Vadyo Munaan, MasterCard International Vice President and Country manager, explains that the premium card business is being driven by "the greater perceived prestige of being a Gold or Platinum cardholder". (Prestige Indonesia 2004: 94-95). He adds: "MasterCard has been surprised at the amount of Platinum card usage" (Prestige Indonesia 2004: 95). Munaan believes that there are currently 15 million Indonesians who qualify for premium cards and this segment is likely to grow. He explains that, before the crisis, the percentage of gold card holders was about 20 percent of the total, and the classic card holders, 80 percent. However, after the crisis, this balance shifted to 50:50 as if status symbols had become more important - "the one you pull out is the platinum card"- (ibid 2004: 95). For further growth, MasterCard advises its issuing banks to tie the cards to additional benefits to boost customer relationships. He sees points and discount schemes as big pull factors, as in other countries. The author believes that the tier system of credit cards and its popularity in Indonesia, which is much higher than in other markets, can be transferred and implemented also in retailers' CRM.

[86] http://www.lippobank.co.id/produk_dbt_mthr.html (17 August 2005)

Figure C-7 Credit cards in Singapore and their CRM schemes

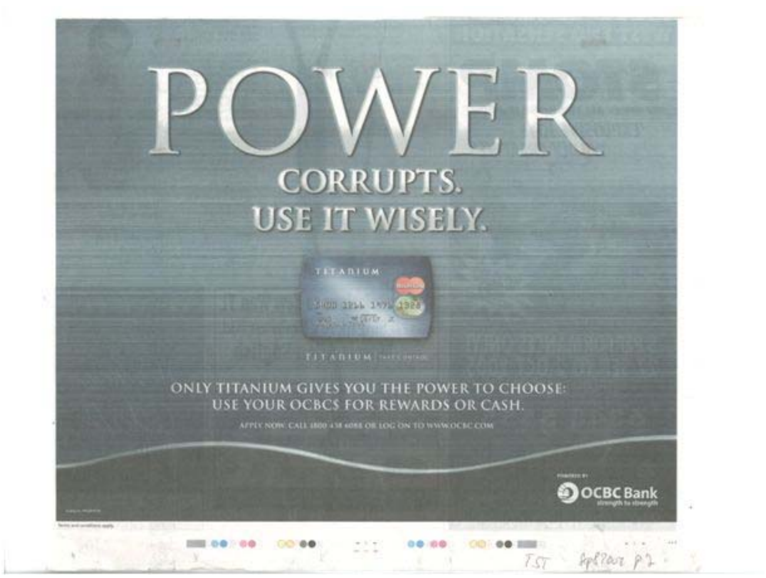


A comparison of countries and their rankings in the rule orientation with Transparency International's global corruption perceptions index (CPI), reveals that corruption is especially rampant in particularistic oriented countries. As the following figure shows, advertising sometimes uses this kind of taking advantage. An advertising campaign such as this is possible in Singapore, which is generally considered not to be corrupt; however, in Indonesia which is generally considered to be very corrupt, an advertisement of this kind would be met with resistance (AS, interview December 2004).

Figure C-8 Titanium Card in Singapore "Power corrupts. Use it wisely"

"Corruption" with a facelift

Platinum is not enough: The Titanium Card



Ideas and recommendations for action

The particularistic behaviour of Indonesians combined with its status consciousness (which will be discussed in detail later) offers substantial business opportunities. Indonesians expect to be treated according to their status and spending patterns. This means a good customer (high-turnover) prefers retailers where his standing and commitment to the shopping outlet are reflected in services around the shopping experience. This means, in fact, that the Matahari Club Card does not conform to Indonesians' preference to be recognized not only according to their status but also to their commitment to the outlet. A Matahari Club Card as part of a CRM program which recognizes customer commitment, i.e. turnover, shopping frequency etc. not only in terms of points accrued but also in services, such as different tier club cards, check-outs according to tiers etc. might be more beneficial for the company in terms of customer satisfaction and subsequently, spending. There is a common saying in business, that one makes 80 percent of turnover with 20 percent of the customers. This is universally true and this 20 percent of customers in Indonesia seems to need to be treated according to their particularistic background. In more luxurious surroundings, for example, in SOGO department stores, one could think of implementing not only different check-outs but also of having invitations to special events or late-night shopping when busy well-heeled customers have more time and are not stuck in traffic (as discussed with HaS, interview December 2004). Personal shopping experiences, such as being greeted at the entrance to private viewing rooms, could complement the shopping experience. In the automobile industry the shopping experience, for example, can be differentiated on the basis of which car one is interested in and then customers can be dealt with in different showrooms complementing the lifestyle represented by the car (DM, interview December 2004).

Generally it seems that CRM programs are becoming increasingly important all around the world. However, in particularistic societies such as Indonesia, pandering to customers' thirst for status (there is a positive correlation between the rule and the status orientation), prestige and treatment according to their relationship to the outlet, combines with customers' willingness to show their special relationship and customer status off. Special hospitality events which cater for a company's best clients are not only covered by local press in Indonesia, but parallels can be found in other particularistic societies.

In Singapore, BMW went so far as to cement its relationship with clients by setting a four-page promotional feature which shows nothing but portrait pictures of their best customers under the headline "Society's Top 300" (Singapore Tatler April 2005: 98-101), while a two-page ad features BMW's 7series with the tagline "Vision, the true aspect of leadership". The importance of the relationship with customers becomes particularly evident in promotional features such as these.

Irwan Danny Mussry, the director of Time International Indonesia, reflects on the special customer loyalty trend by saying: "Limited edition timepieces are extremely important in the eyes of our customers here in Indonesia" (Soelaeman 2004: 32-33). A customer in a particularistic society expects much more to be treated according to the relationship built with the company (HS, lecture October 2004). In a country where collecting watches is one of the hobbies of the well-off (Appendix 1, Figure 223-224) it makes sense to sell limited editions to the most loyal of customers and to inform them early of new models. Special horology workshops enjoy popularity in Indonesia, which is the reason why European watch manufacturers frequently offer very exclusive seminars in hotels in Jakarta (Appendix 1, Figure 223-224). What they are trying to do is to secure long-term customer loyalty and retention. European watch manufacturers' keen interest in their special Indonesian and Singaporean customers is also shown in the edition of the most exclusive watches. Thus the German Watch Manufactory "Glashütte" presented a special edition (limited to only a few dozen watches) to celebrate the 40th anniversary of Singapore's independence. These watches were discreetly decorated with Singapore's national flower, the orchid, and were specially made for the loyal customers of the company in Singapore. The benefits of customer cards are however not only seen in the context of increasing customer loyalty but it is also believed that by giving customers more benefits they are less likely to ask for discounts, a behaviour still widespread in Indonesia (HaS, interview December 2004).

Interestingly, in particularistic societies (such as Indonesia) where customer relationships need to be fostered, more than 79 percent of respondents to the Siemens Mobile Lifestyle Survey in which more than 3,000 people were surveyed, agreed that "mobile phones and SMS help to foster customer relationship" (2001). This particularism comes into play again in the form of ring tones pertaining to individual callers. In Indonesia (43 percent) and the Philippines (48 percent) of interviewees answer that they "… have a distinct ring tone to distinguish my loved one when he/she calls". This figure is much lower in less particularistic and universalistic societies.

Relationships to national or ethnic groups

Relationships to customers can also be fostered by emphasizing one's "Indonesianness", and familiarity with Indonesian values can be used as a means of competing with foreign companies. Sampoerna and Indofood have been able to achieve a high standing in Indonesian society (reflected by their brand values) (Indonesian Brand Award 2004a). Other possibilities might be to stress friendly service and the fact that they represent sound family values, saying that they have been a family-run business for the past fifty years or so.

Another interesting consumer behaviour feature which can be linked to the rule orientation is the following. Indonesians as well as Singaporeans, and to a much lesser extent Malaysians (Malaysia scores much lower on the particularism range), are very particularistic about festive days. A festive day in any ethnic group is welcomed as a reason to celebrate and offer sales specials. Where else than in Singapore would one find a shop with a sign saying "Jesus is the reason for the season" to make people aware of the Christmas sales?

Figure C-9 Localized advertising campaigns (1)

Advertisements on the occasion of Chinese New Year 2006

Singapore has always been a very diverse society in which the need for marketing to different ethnic groups has been taken for granted. European luxury brands in an, for the high-end market, unprecedented move to niche or intercultural marketing, have started to create commemorative items in a tribute to Singapore's national day (Channel News Asia 2005a). Sales figures for the S$6,000 "National Day fountain pen" created by Montegrappa surpassed expectations. The French jewellery house Cartier, counting Singaporeans among their most loyal customers, created "a white gold Lion pendant and pen named 'Living Harmony'" which sold out quickly (Channel News Asia 2005a). Behind Cartier's particularistic, i.e. localized product, is a lot of understanding of the diverseness of Singaporean society. Cartier's designer Orina Maretzi explained:

> *"…the main concept was to represent the four different cultures in Singapore. [One] can see on the murals, there are two temples, an Indian and a Chinese, a Christian church and a mosque for the Muslims. This piece represents the four cultures living together in a harmonious and democratic way." (Channel News Asia 2005a)*

The following figures (C-10 - C16) highlight the impact of ethnic-specific marketing in particularistically oriented societies.

Figure C-10 Localized advertising campaigns (2)

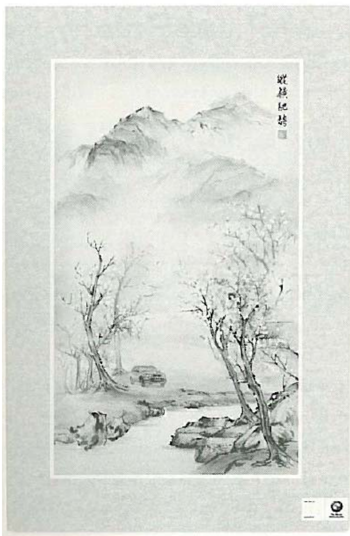
Fostering "particularism": Localized campaigns of global giants on the occasion of the national holiday in Singapore

Figure C-11 Advertising and festive days

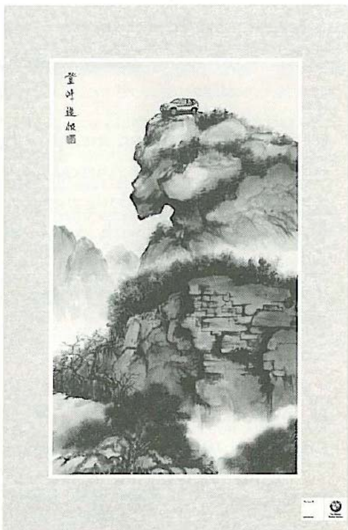
Fostering "particularism": Localized campaigns of global giants on the occasion of the national holiday (left) and Chinese New Year (right) in Singapore

Figure C-12 Twisting tradition: BMW's award-winning ads in Singapore (1)

Twisting tradition: BMW X5 in Singapore winning in local ways



X5 emerging from the mist, making the point that it possesses the ability to move about freely despite restraints and restriction



X5 perched atop the kind of forbidding cliff beloved of Chinese painters. The caption reminded readers that by reaching the peak, perfection has been attained.

Figure C-13 Twisting tradition: BMW's award-winning ads in Singapore (2)

Twisting tradition: BMW X5 in Singapore – winning in local ways

Scenic view of a river and a typical Chinese bridge framed the X5 traversing the river. A poetic caption referred to an arduous trip over land and water as a test for true endurance.

- **The problem:** Chinese-educated drivers in Singapore had long favoured Mercedes-Benz as their ultimate badge of wealth and success. Having made substantial inroads into this segment with very localized ad campaigns, BMW was keen to again demonstrate its understanding of its drivers' cultural background.
- **The strategy:** Chinese-educated readers opened their newspapers and found themselves looking at traditional Chinese paintings which at first glance appeared naturally authentic. A second glance, however, they discerned a BMW X5 subtly illustrated somewhere within the painting.
- **The result:** The first shipment of X5 imported to Singapore was sold out instantly although priced similarly to BMW's top 7series.

Figure C-14 Localization of the 4 Ps in Singapore

Fostering "particularism" by offering localized products

Dengue Virus crisis 2004 in Singapore. Hansaplast's semi-altered (image depicts western girl) reaction to a local problem.

Epson works with a localized visual language, presenting traditional shop houses in Singapore with the tagline "everlasting" like their printers

Tiffany Co celebrating diversity: The four religious groups of Singapore targeted with localized luxury jewelry

In Indonesia, with 88 percent Muslims, the need to take social diversity into account seems to be less urgent. However, the reality requires a different approach as Nestlé and Unilever have recently shown (Part D of this thesis).

Another strong, interesting argument supporting the difference between particularistic and universalistic societies could be the higher brand loyalty of Asian consumers, who are generally more particularistic than consumers in western countries. Brands, so it is believed by advocacies of the identity-oriented theory in brand management, are recognized by consumers as personalities (brand personalities) and over time they establish relationships to these brands ("brands are friends") (Meffert et al. 2002: 42). One can assume that the intensity of consumers' relationships is higher in countries where relationships and relationship-based behaviour play a larger role.

Figure C-15 Localized marketing approaches in Singapore (ad, courtesy of Miele)

Localized advertising at a climax: Miele and Singapore celebrating their 40th year of communal existence

Tag line: "Through humble beginnings and arduous journeys. Generations of growth and worldwide recognition. Singapore and Miele have a lot in common. Forever better, the future is ours to make. A toast to Singapore, Miele commemorates 40 years of excellence".

Figure C-16 Glashütte's tribute to its Singaporean customers

As a tribute to a nation which has enjoyed unparalleled success in its economic growth over the last 40 years since gaining independence, Glashütte Original has produced the 1965 Singapore – a limited edition commemorative timepiece specially created for Singapore's 40th birthday.

This limited edition piece features a replica of a historical map of Singapore painted on a Meissen porcelain dial. Rather than simply emboss the word "Singapore" on a watch dial, Glashütte Original teamed up with the famous Meissen Porcelain Manufactory to make and hand-paint the map of Singapore on a paper thick dial.

The "1965 Singapore" is limited to 40 pieces; two in platinum, 10 in rose gold and 28 in stainless steel. They have all now been sold. The very first platinum piece was presented to the Republic of Singapore.

The first orientation, however, does not only translate into relationships with humans and brands, but also into specific products. Research by the author revealed that agreement with the idea "my mobile phone is the technological extension of my personality" correlates with the country's score in the first dimension. In Indonesia (65 percent), which scores rather particularistically together with the Philippines (62 percent), the majority of the populations agree, whereas in Australia - a rather universalistic society - only 19 percent of the people agree with the statement (Siemens Mobile Lifestyle Survey 2003). The same correlation is seen in interviewees' agreement with the statement "when I leave my mobile phone at home – I just have to go back home and get it" and "if I don't receive an SMS or call for a long time I begin to check my mobile phone constantly" (Siemens Mobile Lifestyle Survey 2003).

Relationship-based behaviour is also apparent in the usage of celebrities (artis) who endorse products on Indonesian TV. According to Daniel Ziv, (2003: 31) Jakarta is home to approximately three hundred gossip and celebrity tabloids, through which Indonesia's working class lives vicariously. Drivers and housekeepers spend much of their time watching soap operas on TV and reading the latest gossip about their favourite stars, so "that the relationship becomes almost personal" (Ziv 2003: 31). Clearly this admiration for media and sports stars is reflected in Indonesian advertising, where, compared to China, specialists such as doctors are less likely to endorse products. Professional arguments seem to be less important, as do rational TV ads.

Given the observed interaction between, for example, retailers and consumers, which appears to be much closer than in universalistic societies, the following course of action can be recommended. In order to secure long-term relationships (which are more significant in particularistic societies such as Indonesia than in so-called individualistic societies), a special way to address customers is necessary. How this sales approach can happen, whether with CRM programs or with a much localized advertising campaign, was explained in the previous paragraphs and was illustrated with some examples. Appendix 1, (Figure 22-48, 64, 66, 77) offers further visuals, and makes the meaning of this orientation in consumer behaviour (and therefore in advertising – promotion of the 4Ps) apparent. Just how far marketing mix localization can go, is shown firstly in the case-study (Part D) and secondly in the exhibits showing various McDonalds products from Prosperity Burger to McD Ayam (Appendix 1, Figure 7-11).

C.2.2 Social orientation

C.2.2.1 Definition

Trompenaars' and Hampden-Turner's "communitarianism versus individualism" value orientation (Trompenaars and Hampden-Turner 1997: 50-68; Trompenaars and Woolliams 2004: 62-72) is virtually identical to Hofstede's "collectivism versus individualism" dimension (Hofstede and Hofstede 2005: 73-114). This orientation reflects one of the most frequently discussed and researched concepts. Hofstede defines this dimension as follows:

> *"Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after him- or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty." (Hofstede 1994: 51; Hofstede and Hofstede 2005: 76)*

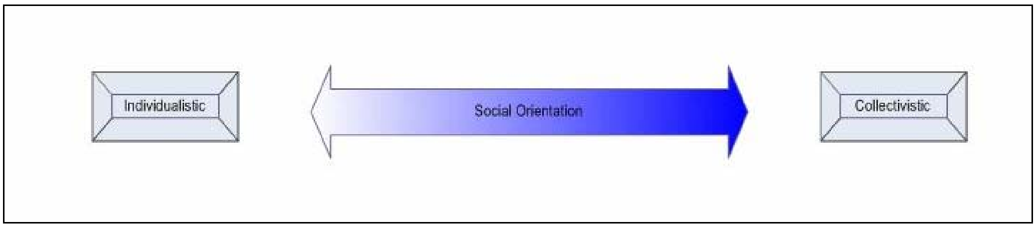
Collectivism and individualism deeply pervade cultures since an individualistic culture sees the individual as the end and improvements to collective arrangements as the means of achieving it. Individualism is based on the principle of asserting one's independence and individuality. All societies have individuals and groups, but individualism stresses the smallest unit as being that where the solution lies (Usunier and Lee 2005: 55). Individualism has been described by Parsons and Shils (1951: 10) as "a prime orientation to the self", and collectivism as "a prime orientation to common goals and objectives" (Trompenaars and Hampden-Turner 1997: 50). Collectivistic societies consider not the individual, but the group to be the most fundamental component of society (Trompenaars and Hampden-Turner 1997: 57). The orientation covers how people relate to others and concerns the conflict between what one wants as an individual and the interests of the group to which one belongs (Trompenaars and Woolliams 2004: 62-63; Trompenaars and Hampden-Turner 1997: 50).

In individualistic cultures, one's identity is in the person. People are "I"-conscious, express personal opinions, and self-actualization is important; individual decisions are valued more highly than group decisions. In collectivistic cultures, people are "we"-conscious (Newman and Grauerholz 2002: 52-54). Their identity is based on the social system to which they belong, and it is important to avoid the loss of "face" (preservation of face).

Collectivistic cultures are, in contrast, "shame" cultures (Bakhtiar 1994; Neckel 1991). The expression used by people from collectivistic cultures is having or losing "face". Another difference between individualistic and collectivistic cultures is it that in the latter, priority is given to relationships with people, whereas in individualistic cultures, priority is given to tasks.

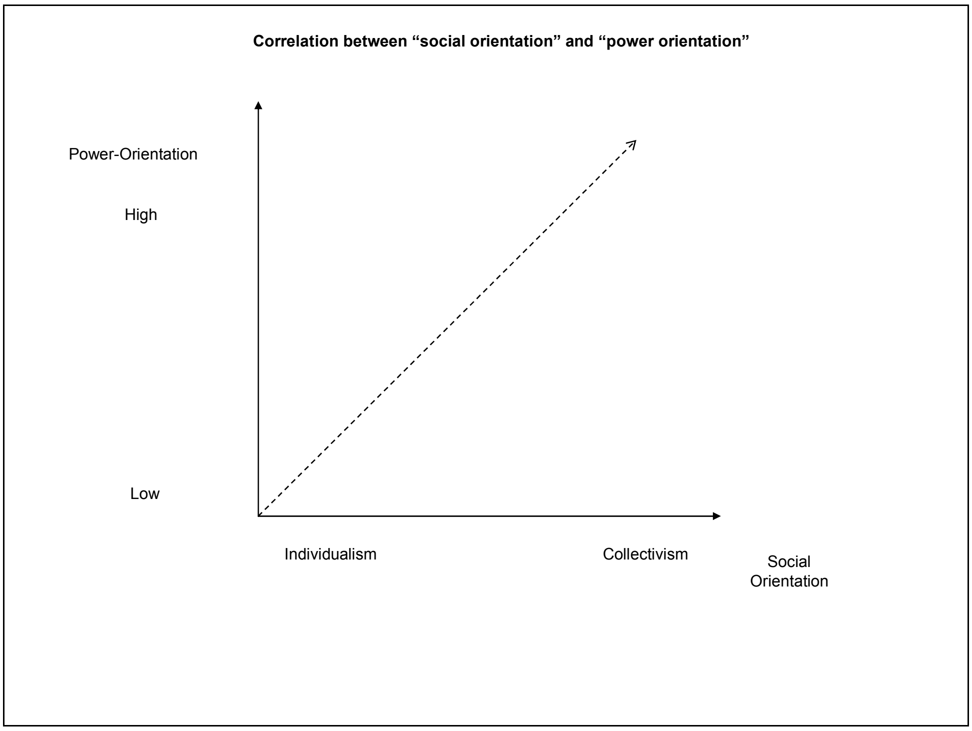
Between 70 and 80 percent of the world's population is more or less collectivistic. All of Asia, Africa, and Latin America are collectivistic (de Mooij 2005: 62). Indonesia scored 14 on the individualism index which is rank 68-69, compared to Singapore which scored 20 like China (rank 56-61), and Malaysia, 26 (rank 52). A lower score in the dimension, i.e. a lower rank, stands for rather collectivistic societies and vice versa.

Figure C-17 Indonesia scoring rather collectivistically



Many countries that score highly on Hofstede's power-distance-index (portrayed later in this chapter) score low on the individualism index and vice versa, which corroborates the negative correlation between the two dimensions. These assumptions are confirmed by Talcott Parsons (1937), well known for his idea that every group or society tends to fulfil four "functional imperatives" (structural functionalism), which support the assertion of correlations between Trompenaars' and Hampden-Turner's dimensions. One of the characteristics used by him to describe societies is the differentiation between "group" and "self". A society whose priority is "group", i.e. a collectivistic society, also shows, according to Parsons, the characteristics of "particular" which can be translated as being "particularistic" in Trompenaars' and Hofstede's terms (described in the prior paragraph about rule orientation). One can therefore assert that collectivistic societies are rather particularistic, too, and individualistic societies are rather universalistic.

Figure C-18 Correlations between different orientations



C.2.2.2 The orientation's cultural foundations

In the context of this orientation (which is of the utmost importance for the Indonesian and for Asian cultural as well as consumer behaviour) it was deemed necessary to explain first the effects of the orientation on cultural behaviour, prior to explaining the cultural premises of the orientation. The decision to proceed in this way was taken since this orientation can be considered basically one of the most important for consumer behaviour and the orientation is clearly reflected in everyday life. It is precisely this behaviour evident in everyday life (cultural behaviour) which influences consumer behaviour.

Extreme collectivism and extreme individualism can be considered the opposite poles of the second global orientation of national cultures, and have been studied by Hofstede (1991, 2005) as well as Trompenaars and Hampden-Turner (1997). In individualistic societies, relationships with others are not obvious and prearranged: they are voluntary and have to be carefully fostered. In the collectivistic society, there is no need to make specific friendships: who one's friends are, is predetermined by one's family or group membership. In collectivistic societies, such as Indonesia, the family within which the child grows up consists of a number of people living closely together: not just the parents and other children, but, for example, grandparents, uncles, aunts, servants, or other housemates. This is known in cultural anthropology as the "extended family" (consanguineous family) and used to refer to kindred (an egocentric network of relatives that extends beyond the domestic group) who do not belong to the conjugal family (Hill and Kopp 1989: 44-58; Newman and Grauerholz 2002: 7-12, Saxton 1983: 327-

329). Cultures in which the extended family is common, usually happen to be collectivistic cultures (Newman and Grauerholz 2002: 55-56). When children grow up, they learn to think of themselves as part of a "we" group, a relationship that is not voluntary but innate. The "we" group is distinct from other people in society who belong to "they" groups, of which there are many. The "we" group (or in-group) is the major source of one's identity and the only secure protection one has against life's hardships. Therefore one owes lifelong loyalty to one's in-group, and breaking this loyalty is one of the worst things a person can do (AS, interview November 2004). A mutual dependence relationship which is both practical and psychological develops between the person and the in-group. The loyalty to the group that is an essential element of the collectivistic family also means that resources are shared. If one member of an extended family of twenty persons has a paid job and the others do not, the earning member is supposed to share his or her income in order to help feed the entire family (HS, conference October 2004).

In contrast, a minority of people in the world lives in societies in which the interests of the individual prevail over the interests of the group and which are called individualistic. There, most children are born into families consisting of mother, father and, possibly, other children. This type is called "nuclear family" (conjugal family) (Hill and Kopp 1989: 44-58; Newman and Grauerholz 2002: 7; Saxton 1983: 327-329; Hutter 1981: 94). A conjugal family (sometimes known by the British sociological term, "cornflake family") is a household distinct from the extended family (Newman and Grauerholz 2002: 7). Nuclear families are typical in societies where people must be relatively mobile, such as hunter-gatherers and industrial societies (Hill and Kopp 1989: 44-58). In nuclear families, relatives tend to live elsewhere and are rarely seen. As they grow up, children from families such as these, soon learn to think of themselves as "I". This "I", their personal identity, is distinct from other people's "I" (Hofstede and Hofstede 2005: 75).

In an environment of intense and continuous social contact (such as that of an extended family), the maintenance of harmony with one's social environment becomes a key virtue that extends to other spheres beyond the family. In most collectivistic cultures, direct confrontation by another person is considered rude and undesirable. The word "no" is seldom used, because saying "no" is confrontational. In individualistic cultures, on the other hand, speaking one's mind is a virtue (Hofstede and Hofstede 2005: 86). Confrontation can be salutary: a clash of opinions is believed to lead to a higher truth. According to Magnis-Suseno, in the region of Java described by him, obedience within the family is not sanctioned by the mother's punishment or expression of disapproval, but rather by the threat that some external force (bad spirits, dogs and strangers) will do something to the child (Magnis-Suseno 1981: 44). In this way, the child experiences its own family solely as the source of its emotional and physical security. Every type of behaviour which is in accordance with the family unit, is internalized as being correct. By the same token, everything which divides the family is considered to be wrong. The outside world is a permanent threat. Magnis-Suseno has a direct explanation as to why Javanese, even when they are adults, fit unreservedly into their groups in the same way. To be opposed to someone else's will, is tantamount to revolt spiritually and emotionally. The principle of conflict avoidance is ultimately extended to social relationships as a whole. The code of customs of the common law "adat" is especially affected by it. Avoiding confrontation ("rukun") is the most important commandment (Mulder 1978: 39).

The orientation and communication

When people meet in an individualistic culture they feel the need to communicate verbally (Hofstede and Hofstede 2005: 88), in order to confirm their relationship to one another. Merely being present is insufficient, and silence can lead to misapprehensions. Social conversations can be depressingly banal, but they are compulsory. In a collectivistic culture, the fact of being together is emotionally sufficient; there is no compulsion to talk unless there is information to be transferred. Raden Mad Hadjiwibowo, an Indonesian businessman from a Javanese noble family, recalls family visits from his youth as follows (Hofstede and Hofstede 2005: 88-89):

> *"Visits among Javanese family members needed no previous appointment. ... it never occurred to one that a visit would not suit the other party. It was always convenient. […] There we sat, but nobody spoke. We were not embarrassed by this silence; nobody felt nervous about it. Every now and then, thoughts and news were exchanged. But this was not really necessary. We enjoyed being together, seeing each other again. After the first exchange of news, any other communication was utterly redundant. […] After an hour or so, the guests would ask permission to leave. With mutual feelings of satisfaction, we parted. In smaller towns on the island of Java life is still like this ..." (Hofstede and Hofstede 2005: 88-89)*

According to this quotation, mere physical togetherness suffices, and constant chatter and communication is superfluous. This, of course, does not imply that Indonesians always remain silent. They are very loquacious; what is important is that speaking is not necessary to confirm their relationship to another conversation partner. For this, mere presence will suffice. When discussing this orientation, the following theories are also to be examined. In the context of language and communication, U.S. anthropologist Edward T. Hall (1959, 1966, 1976) distinguished cultures on the basis of their way of communicating along a dimension from high-context to low-context (Hall and Hall 1989: 6-10; Hall 1976: 101). According to Hall (Hall and Hall 1989: 6) "context is the information that surrounds an event…" Hall (1976: 101) explains:

> *"High context transactions feature pre-programmed information that is in the receiver and in the setting, with only minimal information in the transmitted message. Low context transactions are the reverse. Most of the information must be in the transmitted message in order to make up for what is missing in the context." (Hall 1976: 101)*

High-context communication is one in which little has to be said or written because it is mostly either in the physical environment or supposed to be known by the persons involved, while very little is in the coded, explicit part of the message (Hall and Hall 1989: 6-7). This type of communication is frequent in collectivistic cultures. Hall (1989: 6) explains that Japanese, Arabs, and Mediterranean peoples, who have extensive information networks among family, friends, colleagues, and clients and who are involved in close personal relationships, are high-context. A low-context communication form is one in which the mass of information is vested in the explicit code, which is typical for individualistic cultures. Many things that in collectivistic cultures are self-evident must be said explicitly in individualistic cultures (Hall and Hall 1989: 9). Although Hall does not define "context" precisely, the following components can reasonably be presumed: location, people involved (age, gender, dress, social standing, etc) (Hall and Hall 1989: 6).

As a result of the following analysis, Indonesia, (as many other Asian countries) can be described as a culture of high-context communication, i.e. a culture where context plays a significant role. One example is the rule of politeness; the manner of speaking perceptibly shifts in register according to the age, gender and social position of the conversation partner, as well as the relative positions of the speakers (pupil/teacher, buyer/seller, and employer/employee). The word "no" exists in Bahasa Indonesia but is rarely used (Nothofer 2001: 29).

The orientation and language

So far, the mostly high- and low-context modes of communication and their relationship to meaning in general have been discussed. Yet the cultural element "language", generally assumed to be associated with the social orientation of a society, (Sapir 1929: 214) has not been discussed. Yoshi and Emiko Kashima (1998: 461-486) studied the relationship between culture and language. Among other features of languages, they studied "pronoun drop", the practice of omitting the first-person singular pronoun from a sentence. They included thirty-nine languages used in seventy-one different countries and looked for correlations with a number of other variables. The strongest correlation was found in the social orientation, i.e. between collectivism and the pronoun drop practice.

Languages spoken in individualistic cultures tend to require speakers to use the "I" pronoun when referring to themselves, whereas languages spoken in collectivistic cultures allow or prescribe dropping this pronoun. "Bahasa Indonesia" (Indonesian language), a normative form of the Malay language, (an Austronesian or Malayo-Polynesian language) (Bellwood 1997: 97-99; Sneddon 2003: 7-10) which had been used as a *lingua franca* in the Indonesian archipelago for centuries (Bellwood 1997: 141), and was elevated to the status of official language in 1945, practices the "pronoun drop", too, as well as the drop of subjects where grammatically allowed (Sneddon 1996: 160-165; Nothofer 1998: xiii-xv, 9; 1992: 10). The "pronoun drop" in Bahasa Indonesia, a grammatical phenomenon of many languages spoken in collectivistic societies, underscores the conclusion (made by Trompenaars and Hampden-Turner as well as Hofstede) that Indonesia scores rather as a collectivistic-oriented country. However, Bahasa Indonesia's and other regional Indonesian languages' (such as Javanese and Sundanese) grammar rules seem to have major impact on dimensions concerning, for example, the status orientation (ascribed versus achieved status) and the power orientation (high versus low power-distance) (both orientations will be discussed later), too, since many of these regional languages use different personal and possessive pronouns depending on characteristics (age, status, kin group) of the person addressed, and also show the pronoun-drop rule (Nothofer 2001: 29-32).

An analysis of not only the main language Bahasa Indonesia but also of regional languages and dialects gives rise to the impression that these were languages whose grammatical rules (for example pronoun drop) are similar to those in other collectivistic countries. This in turn reinforces the impression that these languages shape Indonesian society collectivistically. Further linguistic characteristics which could support the contention that Indonesian society can be described as collectivistically oriented, are the following.

The English language, spoken in the most individualistic countries, (the United States, Australia and the United Kingdom) representing ranks one to three on Hofstede's individualism index (IDV) Hofstede and Hofstede 2005: 78), is the only one that writes "I" with a capital letter. In Bahasa Indonesia, for example, the word "saya" (meaning "I" in English) is actually often dropped because its usage is seen as inappropriate in certain circumstances (Sneddon 1996: 165). Hazel Rose Marks and Shinobu Kitayama (1994) argue that the way people experience their self differs with the culture they live in and influences whether a culture is rather individualistic or collectivistic.

According to Hofstede's interpretation (2005: 93), "… individualistic cultures encourage an independent self [whereas] collectivistic cultures an interdependent self". It is generally believed that the essence of the relationship between the individual and society, at least in the West, has changed considerably since the Renaissance (Martin 2004). In earlier societies, individuals were defined primarily in terms of their surrounding community: the family, the clan, the tribe, the city-state or the feudal group (Trompenaars and Hampden-Turner 1997: 52) but with individualism being the result of periods of intense innovation such as the Renaissance, the Age of Exploration, the Netherlands' Golden Age, the Age of Enlightenment, and the Industrial Revolution, collectivistic behaviour was repelled (Zwiedineck-Südenhorst 1949; Weippert 1949). In contrast, the Arabic-Islamic region and later the Ottoman Empire too, did not experience the enlightenment and thereby secularization, which rejects the theological idyll of unity of church and state (Hendrich 2004: 47-62), and which does not significantly support the development of the individual independent of his environment. Since the Indonesian archipelago was outside the sphere of influence of this era, it can be assumed that it was largely unaffected by this development.

Hadiwijono (1967: 51) investigates among others, the individualization factor in Indian influenced Javanese traditions. Accordingly, an explicit historically grown concept of mankind can be derived from old Hindu-Buddhist Javanese sources. Individualization is regarded here, however, as negative. Precisely as a result of individualization, human beings suffer, which means that they are bound to the cycle of reincarnation According to this, individualistic actions should be avoided and one should conform to the group. Freedom in this connection is only seen as liberation from the coarse, i.e. from the material world and personal, individual passions. Furthermore, “adat” is endowed with a spirit of collectivism (Garang 1974: 27). In Indonesia, the collective system is summed up, for example, in the expression “gotong-royong”. The origins can be traced, among others, to external conditions (the effect of the environment on people and their culture has been well-known since the age of Enlightenment) for example, in the working practices of wet rice cultivation, which requires mutual support and help. These environmental factors determine an individual’s or group’s behaviour and lead to conforming behavioural patterns, i.e. to cooperative oriented working patterns within the community (Garang 1974: 31).

A whole range of causes and effects has been offered to explain the decreasing importance and appeal of collectivistic behaviour (Usunier and Lee 2005: 54-56). But the idea that increasing individualism is a part of the rise of civilization itself, needs to be treated as a cultural belief rather than an undisputed fact, explains Hofstede (2005: 110-114), since Asian societies which have experienced modernization in the form of economic development still score rather more collectivistically than individualistically. The cultural contribution of the Age of Enlightenment (which advocated rationality regarding ideas concerning God and instigated revolutionary developments which influenced pietism) leads to a further important cultural element for the social orientation: religion. This means that, besides language which seems to influence societal behavioural modes resulting in a rather individualistic or collectivistic score, religion needs to undergo examination to decode its influence on this dimension. However, the consensus of opinion is that religion is not the definitive criterion for the investigation and classification of a country within the social orientation since, as already shown, the cultural element “language“ provides unequivocal clues. The following observations on religion are therefore kept to a minimum.

According to Hofstede (2005: 112), there is considerable evidence that individualism and collectivism follow the Protestant-Catholic religious divide. Trompenaars and Hampden-Turner (1997: 52-53) offer the following explanation. Each Puritan worshipper approached God as a separate being, seeking justification through works. Roman Catholics have always approached God as a community of the faithful. Research has found that Catholics score higher on group choices and Protestants significantly lower. Hofstede, too, confirms this with his findings that Latin catholic cultures, along with Asian cultures of the Pacific Rim, score lower on individualism than the Protestant West, particularly the U.S.

Although no research has been done on Islam in this respect, Arab countries, as well as Pakistan and Turkey score rather collectivistically in Hofstede’s research with Indonesia emerging as one of the most collectivistic countries (rank 68-69 of 74) (Hofstede and Hofstede 2005: 83). In Arabic, Islam means "submission" (understood as submission to God) (Newby 2002: I) and is described as a “Dīn” or “Deen”, meaning “way of life” and/or “religion” which indicates the unity of Muslims (community of the faithful, no separate being) who do not believe in absolute free will, since that contradicts God's omniscience and omnipotence. There is no official religious authority which decides whether a person is accepted into, or dismissed from, the community of believers, known as the “Ummah” (family or nation). Muslims regardless of differences regard themselves as one “ummah” (Newby 2002: U). The latter, seen as a community of believers as opposed to non-believers, manifests collectivistic orientations in its rituals of collectivistically oriented nature, for example, the pilgrimage to Mecca, fasting or the Friday prayers (which often have a significant community or even political role). The assumption that a collectivistic orientation in Islam colours Indonesian society is reinforced still further through basic Islamic tenets, i.e. equality and fraternity between all believers. The hypothesis that Indonesia is a collectivistically shaped society is further confirmed by this.

Thus, following this discussion, it can be declared as proven that Indonesia is to be classified as rather collectivistic. The effects of this collectivistic orientation on consumer behaviour and international marketing will be shown in the following section.

C.2.2.3 Implications for consumer behaviour and international marketing

The following remarks commence with a brief overview of to what extent scholars consider that the purchasing-decision process is influenced by the social orientation. So far, in this field of research, the individual who makes a usage oriented purchasing-decision has been the focus. However, the latest research from the Asia-Pacific region reveals that the decision to purchase a certain product or service is not always an individual one, especially in collectivistically oriented societies, where groups such as the family influence the decision to purchase considerably more than in individualistically oriented cultures (HS, lecture October 2004).

After introducing the literature which reflects these new findings, an investigation of the repercussions of the social orientation on advertising will be carried out. A comprehensive perspective has been chosen, i.e. advertising initiatives from the collectivistically oriented Indonesia will be compared to those of individualistic societies. Furthermore, an example from the German advertising world has been chosen with the presentation of the ice cream brand Magnum. With the help of this example, the extent to which advertising reacts to political and social transformations (which can in turn alter consumer attitudes) is illustrated. This example should be seen as a means of making the reader sensitive to the case-study in which Unilever Indonesia reacted to societal change (Part D). Subsequently, with the aid of an example (growth in the fitness sector) a discussion will be held as to whether or not a change of orientation (in the area of conflict between individualism versus collectivism) is perceptible in Indonesian society. Firstly, however, a brief overview of current research in the field of purchasing decision-making is necessary.

The orientation and purchasing decisions

As aforementioned, most of the available marketing literature depicts individual consumers who make their own decisions (Jeannet and Hennessey 2001: 201-207). While the individualistic conception remains very much at the heart of the mental picture of marketing, there has lately been recognition of shared social intentions. For instance, Bagozzi and Lee (2002: 229-230) describe the concept of social intentions, termed "we-intentions", to perform a group act. While there is a great deal of support for attitudes and subjective norms explaining individual intentions, they suggest a greater influence of the group on we-intentions, including group norms and social identity. They find multiple group influences on we-intentions, including social identity for Korean consumers. In similar studies, for example by Lee and Soutar (2004), it is also found that group norms strongly influence Singaporean's we-intentions to travel to Australia. Another area of research, i.e. family decision-making, has a history of examining group decisions. The family is often seen as an interacting group of individuals, all influencing each other. While an organic conception of the family as a single-decision-making unit is not easily grasped, some intercultural consumer behaviour researchers have depicted the family group as an organic entity, as opposed to a casual collection of individuals who share information and some common interests and constraints, living together within the family cell. This is particularly true in Asia. Redding (1982: 112-113), for instance, emphasizes that:

> *"In most Asian cultures there is a particular grouping to which a person belongs, which involves him or her in patterns of obligation and behaviour of a special kind … It would, for instance be naïve to suppose that the spending power of a teenage market in a western country would be equivalent to one in, say, Hong Kong or Singapore." (Redding 1982: 112-113)*

The discretion over the use of income is heavily influenced, in the case of the Chinese teenager, by the expected contribution to the family. The tradition of deference to parental wishes also affects buying patterns in clothing, leisure expenditure, etc., especially as it is normal to live at home until marriage, i.e. expenditure for certain things which are used communally by the family, can be much higher, since numerous family members can be involved in financing the purchase.

The influence of collectivism on family decision-making has been well documented in literature where, particularly in China, Taiwan and Japan, a high level of joint decision-making has been reported (Chen et al. 1999). For China, Yang (1989) describes the influence of what she calls "familism" on behaviour as individuals, as family members and as consumers. The dimension of individualism versus collectivism presents that the vast majority of people in the world live in societies in which the interest of the group prevails over the interest of the individual (more countries cluster in the quadrant representing "collectivism" than in the quadrant "individualism" (Hofstede and Hofstede 2005: 83). The delimitation of particularistic behaviour on the family is also apparent in the economic sphere. The overseas Chinese business conglomerates are almost exclusively family businesses (Wijaya 2002: 229-256; Hamilton 1996: 13-26).

The orientation and advertising

All the aforementioned works reflect initial approaches as to how a collectivistic social orientation affects purchasing decisions. Subsequently, how purchasing decisions in collectivistic oriented societies are reflected in advertising, will be ascertained. To illustrate the analysis, where necessary, current examples taken from the world of advertising have been selected and compared to advertisements in less collectivistically oriented societies. The difference between collectivistic and individualistic cultures is reflected in the different roles of advertising and branding. In collectivistic cultures, corporate brands are favoured over product brands (de Mooij 2005: 64). In Indonesia, one can build a relationship between a company and consumers better than between (abstract) brands and consumers, which leads to public relations (PR) activities, in which the company being presented is considered more important than in the United States, for example, which scores rather individualistically. This often happens with the help of advertorials or newspaper articles about the company which do not always name the client. However, the consumer is not only interested in the manufacturer but also in its products; the product brands play a lesser role than the manufacturing brand or the name of the manufacturer in collectivistic oriented societies (HS, interview December 2004). In collectivistic cultures, people are more interested in concrete product features than in abstract brands, reflected in the fact that the Indonesian consumer asks a lot of questions and this results in a more time-consuming purchasing process.

Individualists tend to see brands as unique human personalities. In the extremely individualistic United States, even children have been named after big brands, such as L'Oréal, Chevrolet, and Armani, as de Mooij (2005: 65) vividly notes. More examples of the differences between individualistic and collectivistic countries could be added, but in the interest of brevity only a few have been quoted. In collectivistic societies the brand is seen as a symbol or an organization, whereas in individualistic societies it is regarded as a person or a concrete product. This behaviour is another reason for the high quality expectations in rather collectivistically oriented societies. This was especially apparent during the Asian crisis during which consumers did not switch to cheaper generic (no-name) products, private label products or "me-too" products but stuck to reputable companies which symbolize quality and trust to them more so than product brands do. Trust and quality are to be found in the organization (firm) or its logo, rather than in the brand name or the product itself. In this way, Indofood and Nestlé and their company logos are trusted rather than the individual products and brand names of these companies. This observation has to be taken into account when labelling products and advertising them. Well-known and trustworthy individuals should make their name and logo clearly visible to Indonesian consumers. Unilever Indonesia's campaign for Sunsilk shampoo clearly shows Unilever's name although Sunsilk is actually the brand name being advertised. In other countries the Unilever logo in Sunsilk campaigns is not visible.

As described elsewhere, an important difference between individualistic and collectivistic cultures is between low- and high-context communication. In individualistic cultures, the public tends to be addressed in a direct and personalized way. Words like “you”, “we”, and “I” are frequently used. So are imperatives. Some examples from highly individualistic cultures are: “Mein Magnum und Ich” (My Magnum and I) (Magnum of Unilever), “Just do it” (Nike), “I’m lovin’ it” (McDonald’s). In rather individualistic cultures, the personal pronoun “I” is frequently used, as in the global advertisement for McDonald’s. Such approaches tend to be rather unattractive in collectivistically oriented cultures, especially in countries where the pronoun-drop in languages is prevalent. The considerable impact with which a language endows advertisements reflects its importance as an influential cultural element on this orientation. The following example is designed to show how certain events can alter communication and visual language in advertising initiatives.

Figure C-19 Advertising and purchasing decisions (1)

Non-localized ad by Chevrolet for Indonesia. Chevrolet’s tagline “I am” is typical for very individualistically scoring countries, like the U.S., but untypical for collectivistically scoring countries. A car buying decision, even for a small car is made by all members of the family and not by just one member.

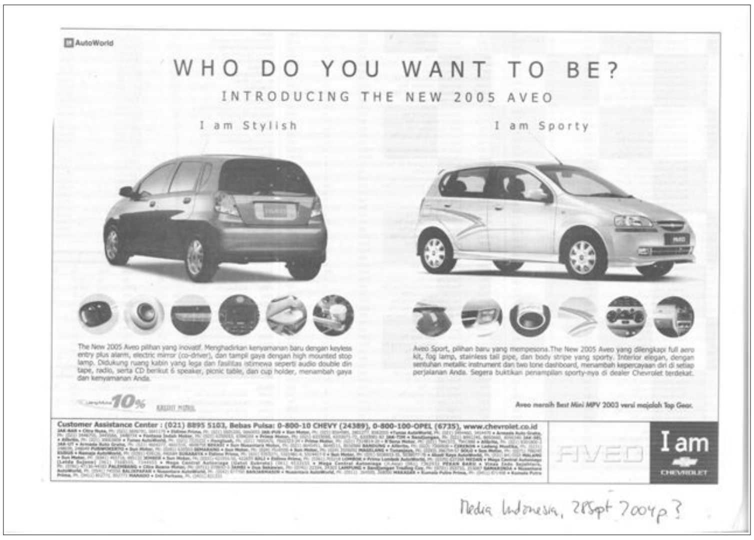


Figure C-20 Advertising and purchasing decisions (2)

Locally adapted ad: All family members who influence the purchasing decision shown in the ad. The decision is not made by just one person.

Magnum ice cream and the September 11th

According to Unilever Germany (GM, Unilever Germany, speech November 2002), the events of September 11th led to a perceptible shift of the social orientation towards collectivism in all societies. This led to a rejection of extreme hedonism (shown in individualism), in favour of so-called soft-hedonism (which is more collectivistically coloured) to use the language of advertisers and trend scouts in Germany. This reflects a global change of values which resulted in family and religion assuming greater importance. The post-September 11th metamorphosis had to be translated visually into advertising language. Unilever Germany, for example, reacted by changing the way in which the ice cream brand Magnum was positioned and communicated. The hedonistic, almost egoistic appearing ice cream which was eaten alone (seen in the campaign Me & My Magnum) in the 1990s became the caring, sharing ice cream of post-September 11th society. The content and visual language of the campaign had changed radically. The solitary character was replaced by a group of family and friends eating this brand of ice cream together. Even the range of products was adjusted accordingly to match changes in society. This led to the introduction of ice cream products with the brand name Magnum, intended to be shared and eaten together. This example highlights the influence of the social orientation on every day behaviour and consequently on consumer behaviour. As is the case for each of the orientations, these values will remain stable in the long term. However, value orientations can shift short and mid-term in the area of the social orientation either towards collectivism or individualism. This can be seen as a result of the events of September 11th which caused a rupture, especially in Western societies.

The orientation expressed in the visual language of advertising campaigns

The following aspect demonstrates, too, the considerable difference between collectivistic and individualistic societies as reflected in advertisements. The difference between the independent and interdependent self has an important impact on advertising appeal. Members of individualistic and collectivistic societies will respond differently to advertisements emphasizing individualistic or collectivistic appeals. In collectivistic cultures, such as Indonesia, appeals focusing on in-group benefits, harmony, and family are more effective. In individualistic cultures like the United States, advertising is more effective when appeals to individual benefits and preferences, personal success, and independence are made. A commercial where a man breaks out from a group and starts doing something on his own that the group has not thought of, would be seen positively in individualistic cultures but negatively in collectivistic Indonesia (AS, interview November 2004). Furthermore, the following aspect is important not only for advertising but also for product development. Whereas in collectivistic cultures people like to share things, in individualistic cultures people tend to keep the nice things for themselves. The above-mentioned ice cream brand Magnum has used this approach, as illustrated in their advertisements that say, “I share many things, but not everything”. A statement such as this would be unthinkable in Indonesia, as interviews revealed. Furthermore, as demonstrated, in collectivistically oriented societies a lot of things are shared. Gerke (1995, 2000), shows that students, for example, purchase an item of clothing together, which the group members can take in turns to wear. This fact should be borne in mind should a product be developed especially for collectivistically oriented societies.

The orientation also impacts on visual language and communication. In collectivistic societies, people do not like being alone or eating alone, whereas in individualistic societies people cherish their privacy. In collectivistic cultures, being alone means one has no friends or identity (JK, lecture October 2004). If one is alone, one is outside the group to which one belongs. This difference between advertisements showing individuals and loners, or showing people as part of groups is particularly evident in the visual language of advertising campaigns. Whereas in individualistic cultures people can enjoy fast food alone and being alone can even have a relaxing function, this is not the case in collectivistic cultures where people enjoy food together as illustrated below. Visuals by “McDonald’s Indonesia” or “KFC Indonesia” reflect this aspect: people in their commercials never eat alone, but always with family and friends.

Concepts reflecting collectivism may be more successful across borders than the highly individualistic approach. Marlboro, although not a resounding success in Indonesia (Marlboro’s parent company Altria bought the Indonesian cigarette maker Sampoerna to increase market share and sales in Indonesia) (de Mooij 2005), was more successful in Asia than Camel. The Camel man represented the lonely, masculine individual whereas the (also very masculine) Marlboro cowboy was implicitly part of a group. Sometimes he was seen alone, but he always returned to the campfire, to his companions. This is of course merely an assumption, but it appeared to interviewees in Indonesia to be a plausible explanation (AS, interview October 2004; BR, interview October 2004).

Figure C-21 Collectivism and visual language

However, in this context a value paradox between belonging-independence can also be recognized in Indonesian advertising, where on the one hand one sees groups of people in advertising, but on the other hand celebrities endorsing a product frequently are depicted alone. This reflects the fact that desired values can be diametrically opposed to one's own reality (for example, individual success as a contrast to conformance to the group) (de Mooij 2005: 172).

Tag lines in advertising campaigns

Advertising content in individualistic cultures can refer explicitly to the independent self, for example "Designed for the Individual" (Mitsubishi, UK), "In a world of conformity some things are still made for the individual" (Herblein watch), and "Go your own way" (Ford Probe). Examples of collectivistic claims are "Prospering together" (Chiyoda Bank), Philips Electronics presents the slogan "Together we make your life better" in some cultures (always in local language) whereas in Dutch and German advertisements, the claim is "Let's make things better" (always in English). The name "Tchibo Privat Kaffee" (Tchibo Private Coffee), makes such universalistic claims as "Überall auf der Welt" (everywhere in the world), supposing that the feeling will be the same for all people in the world who drink coffee. "Worldwide" and "world" are power words for individualistic societies, whereas "modern" and "international" (they appeal to the need to conform, and to belong to a new and greater world) are popular appeals in collectivistic cultures. Reader's Digest (www.rdtrustedbrands.com), for example, publishes data on personal traits found in readership surveys. One of the traits is measured on the scale modern-traditional and the percentages of answers from people who considered themselves to be modern correlate with collectivism.

Considering the fact that approximately 70 percent of the world population is more or less collectivistic and many global advertising campaigns (usually made in their international advertising centres London or New York) reflect individualistic values, it is fair to assume that much global advertising is only effective for a small part of the target group. Most global ads address people in a direct way, show people alone, and refer to all sorts of individualistic claims such as "the power for self-expression", (for example an international ad for Lexus).

The body and the self: an indicator of growing individualism in Indonesia?

After explaining the influences of the social orientation on advertising, an investigation of the phenomenon observed, i.e. of the trend among certain social strata signing up at a fitness club, will follow. In the field of market research, this trend has often been associated with individualization in society. Closer inspection of consumer expectations and behaviour has revealed however, that this assumption was not tenable in Indonesia. This trend was selected since the significance of local in global trends is abundantly apparent here. It is actually the area of leisure activities where changes have occurred which could easily be misinterpreted as signs of growing individualism in Indonesia. The following comments on the increasing popularity of fitness centres in Indonesia (as in other countries in Southeast Asia) is intended to demonstrate that exact analysis and interpretation of trends is necessary if they are not to be misinterpreted as a change in social orientation (values).

In Indonesia, fitness clubs which offer training facilities to individuals for individual sports (as opposed to team sports) seem to be gaining in popularity, at least with certain segments of society, usually younger people who have the financial means to join a fitness club and reside in one of Indonesia's major cities. The success of muscle growth health supplements, sold nearly everywhere, confirms, together with images of men in advertisements, the trend towards a more hedonistic beauty ideal in Indonesia reminiscent of those in the Europe of the 1980s and 1990s. De Mooij (2005: 78) notes that there is no indication that individualistic cultures are healthier or unhealthier than collectivistic cultures, but the fact that people in individualistic cultures are more focused on their self is visible in a greater concern for their own health than is the case in collectivistic cultures. Analyzing the fitness trend in Indonesia and the seemingly hedonistic attitude of young Indonesians, no matter from which racial and religious background, falsely leads one to believe that this trend is a reflection of the individualization of society, i.e. a shift of the social orientation towards individualism. The following observation may also lead people unfamiliar with Indonesian society to drawing such conclusions.

A California fitness manager explained why the chain's club in the entertainment centre of Jakarta's famous Plaza Indonesia shopping centre offers workout facilities which allow mall visitors to watch men and women "exhibiting" themselves while doing sports: "Indonesians like this; we even added another floor where shoppers and fitness club members are only separated by panoramic glass windows" (CFM, interview September 2004). These windows do not fall short of their target. Many shoppers watch the sports enthusiasts watching shoppers admiring their stamina and beauty from behind windows in a steel-and-glass environment. Similar developments can be witnessed in Singapore where "The Straits Times" presents a so-called "HotBod" section of men and women showing-off their trained bodies in its Sunday edition, which in the Sunday papers in more individualistically oriented Germany (compared to Singapore) would be scarcely imaginable.

Conversations which took place in Jakarta quickly revealed however, that individualism only appears to play a role in the fitness and beauty trend. In individualistic countries such as the United Kingdom, people sign up at fitness clubs in order to work out when and how they please. Such individualistic thoughts however do not apply in Indonesia. There, the emphasis is on wanting to play sports with other people in a safe, clean and cool environment. When visiting one of these clubs, the notion of "communal“ becomes apparent when one sees people swapping machines and when it is realized that group training is the most popular form of training for both men and women. The following comments are intended to explain these findings with the aid of diverse examples.

With regard to Indonesia scoring collectivistically and being described as "not a place to be alone", one can also assume that Indonesians prefer to do sports (as well as so many other activities) with others. Nothofer (1992: 74) reflects this assertion through his research into the Indonesian language. He explains that in most Western languages words like "noisy", "busy" and "highly populated" are negatively connoted whereas "quiet" is seen in a positive way. Nothofer explains that in Indonesia the opposite is true. "Ramai" (noisy, busy) is seen positively and "sepi" (quiet), negatively. This can be seen as suggestive in the sense that Indonesians prefer to be with a group of people, instead of being alone. There might seem to be a positive correlation between individual sports/leisure activities and a move towards a more individualistic society. This, however, is not the case. In fact, the reverse is true. Indonesia reveals collectivistic leanings since the population prefers being in a group and the crowded fitness centre atmosphere panders to this predilection. Nothofer (1992: 74) adds that when Indonesians are confronted with loneliness ("kesepian"), they tend to switch on the radio or TV in order to create an atmosphere of "ramai" (noisy, crowded) which they prefer to quiet surroundings. Living-space prices reflect this preference, too, i.e. houses and flats are most expensive in lively, rather noisy areas, as it comes with the positive connotation of having access to markets, services, goods and wealth (PM, interview December 2004; PM is the wife of a Soeharto minister and society lady whose family owns several domiciles in Menteng). The mansion in which the interview took place is in heavy traffic Jalan Surabaya where one side of the road is occupied by informal traders, attracting hundreds of customers per day, and the other, by exclusive houses protected by meter high concrete walls). Despite being able to build palatial-like mansions for her family in South Jakarta (Kebayoran Baru and Pondok) where there is much less traffic and noise and more space, she answered that she would never move, giving the exact reason of “kesepian”, mentioned above.

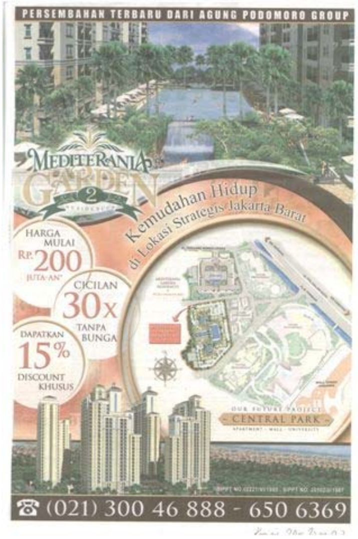
Possible misinterpretations of the orientation’s impacts

Caution is necessary however when investigating the repercussions of the social orientation on certain behavioural patterns or preferences which could be interpreted as collectivistic in one society, but could have an entirely different significance in another country. The following examples are intended to draw attention to the danger of an ethnocentric analysis of consumer behaviour.

Marieke de Mooij (2000, 2005) compared fifteen European countries and finds meaningful correlations between consumers’ behavioural data and the social orientation. In all these cases, a country’s score on the individualism versus collectivism index (social orientation) explains the country differences in consumer behaviour better than national wealth does, argues de Mooij. According to her consumer survey, persons in rather individualistic countries are more likely to live in detached houses than in apartments or flats compared to collectivistic countries. This first correlation is not applicable to Indonesia. In Indonesia most people live in houses, not flats, although particularly in urban regions, flats in the form of condominiums are becoming increasingly popular. This is because these housing developments offer many facilities (Appendix, Figure 253-271) which the average owner of a condominium flat could not afford to install in his or her house. Therefore, in Indonesia, although it scores rather collectivistically, most people live in houses. The trend towards people moving into apartments and flats in condominiums cannot be seen as a trend in the direction of collectivism, as de Mooij’s study would suggest, but rather in the direction of individualism, i.e. of having one’s own space separate from the extended family (Interviews with residents of Apartemen Taman Rasuna Said 2004).

Figure C-22 Housing developments in Indonesia

Developments in the housing sector reflect only changes in "practices" but not of "values"



In addition, de Mooij (2005: 63) remarks that people in individualistic countries are more likely to have a private garden and to own a caravan (trailer, mobile home) for leisure. To associate caravan ownership with individualistic behaviour (in the sense that one has the freedom to go and stay wherever one wants), might be valuable in the American or European context where this correlation exists. However, applied to other cultures where travelling by caravan seems uncomfortable or even uncivilized to members of the social strata who could afford such a vehicle, this correlation is meaningless (AS, interview October 2004; BR, interview October 2004). De Mooij (2005) also finds proof of a correlation between individualism and home ownership as well as life insurance. High rates of home ownership exist in Indonesia as in many other Asian countries, although they score rather collectivistically. Indeed, Asia has the highest home ownership and saving rates in the world. The fact that life insurance has not taken off in many countries in the Asia Pacific region seems does not seem to be associated with collectivistic values, but rather with legislation which prevented foreign insurance companies from offering insurances to local individuals in many markets. However, as soon as the financial and insurance markets were liberalized, in the case of Indonesia after 1998, sales of life insurance and other financial products soared. These examples show that de Mooij's correlations are culturally bound, if not ethnocentric. It seems logical that do-it-yourself (DIY) activities, (which reflect the idea of a lifestyle in which the person tries to be self-supporting and not dependent on others), tend to be more popular in individualistic countries and reflect the way of life in such societies. But the reasons why, for example, DIY activities are not adopted by Indonesians are not connected to collectivism but to Indonesia's cultural traditions where manual labour is seen as low-class. These examples demonstrate that simply transferring results from consumer studies is not feasible without the benefit of intimate knowledge of the culture of the respective markets to be investigated.

The orientation and social change

Trompenaars and Hampden-Turner (1997: 52) argue that individualism is often regarded as the characteristic of a modernizing society, while collectivism is reminiscent of more traditional societies. Conventionally, all societies were more collectivistic than individualistic because of the interdependence characteristic of agrarian communities. Individualism as such, is a rather modern phenomenon of culture, which began in 16th-century England through the work of such philosophers as Kant, Bacon, Rousseau, Hume and Locke (Farr 1982: 15-37; Hauser 1994: 25-53, 97-123; Kopper 1979: vii-ix; Kopper 1983: 48-92, 93-113, 124-193; Loeb 1981: 25-75). Schütte and Ciarlante (1997: 29) add: "Individualism has come to be considered a natural component of a modern." However, according to them (ibid 1997: 29), Asian cultures are now challenging this assumption. Singapore, Japan, and South Korea are thoroughly modern societies that continue to have firmly entrenched collectivistic orientations. Even at a level of per capita income equal to or larger than Western countries, Singaporean society has conserved distinctive collectivistic elements in its family, school, and work spheres. Of course, as in any rapidly modernizing society, there is great concern that Asia's young people are becoming too individualistic and losing traditional morals and virtues (FEER 1996: 50). The Singaporean press, for example, regularly publishes stories concerning breaches of traditional family solidarity or criticizes the materialistic behaviour of adolescents loitering in shopping malls. It remains to be seen what the future will hold and whether the values of Asia's teenagers are "rock solid" as described in an article in the Far Eastern Economic Review:

> *"Their elders complain that they are acquisitive, fickle and faddish, steeped in Western fashions and shallow consumer values. On the inside, though, most cling to the family as the bedrock of life; they are fiercely proud of their own countries and cultures and often reject what they see as the individualism of the west." (FEER 1996: 50-52)*

It remains to be seen how these transformations will change society and in what way they will impact on consumer behaviour. According to HS (lecture, October 2004), the deep roots of national cultures make it likely that individualism-collectivism differences (social orientation) will survive for a long time to come (see also: Hofstede and Hofstede 2005: 114). Yet, if there is to be any convergence among national cultures, it should be on this dimension (Hofstede and Hofstede 2005: 114). Indeed, as the examples in Indonesia indicate, parts of Indonesian society tend to be moving at least in behavioural modes such as leisure activities, in a more individualistic direction, although their core values are still highly collectivistic (HS, interview October 2004). The success and inevitability of individualism remain therefore rather questionable. The strong positive correlation between national wealth and individualism is undeniable, with the arrow of causality directed, as shown earlier, from wealth to individualism. However, societal change occurs slowly over generations and core cultural traits, such as collectivistic behaviour, which have been part of a society for more than a thousand years, do not change within a short period of time.

As was shown above, the significance of this orientation became especially apparent for the fourth "P" (promotion), i.e. for the visual language of advertising campaigns. Rarely are individual people depicted in Indonesian campaigns. This is not indicative of Indonesia's dominant image of people not wanting to be, or being alone. In the appendix (Appendix 1), numerous additional examples are available which serve to sensitize the reader to this orientation, and to highlight their implications.

C.2.3 Relationship Orientation

C.2.3.1 Definition

The third dimension, the "specific versus diffuse orientation", concerns the degree of involvement in relationships (Trompenaars and Woolliams 2004: 72). The orientation has been adapted from Trompenaars and Hampden-Turner (1997: 69-101). The idea behind this orientation is the degree to which people engage others in specific areas of life and single levels of personality, or diffusely in multiple areas of lives and at several levels of personality at the same time (ibid 1997: 81).

The orientation reflects on the fact that in a specific-oriented culture, a manager segregates out his or her work and isolates this from other dealings outside the work sphere. Each area - one could describe them as life spaces - (for example the life space "work", "family", "past time activity 1, 2 etc.") is considered apart from the other, i.e. as a specific case. However, in countries which score rather diffusely, every life space and every level of personality tends to permeate all others. An example will serve to illustrate this difference. The Indonesian tycoon (IK, interview April 2001, August 2001, October 2004) is considered and expected to be an authority in all domains of life. He runs a well-known Indonesian business conglomerate[87] and is expected to have the best knowledge of golf, watches, travel, consumer electronics and other apparently extravagant avocations. His taste in clothes and value as a citizen are all permeated by his directorship and being a member of Jakarta's top echelons. This view is reflected in how his employees see him (they see him as a benchmark for everything) and how he regards himself (as a tycoon he cannot travel with his employees in commercial aircraft, nor can he use the same type of mobile phone as his employees). Interestingly, none of his employees would dare to be seen with a more advanced mobile phone than the one he owns in front of him (KB, interview April 2001, October 2004).

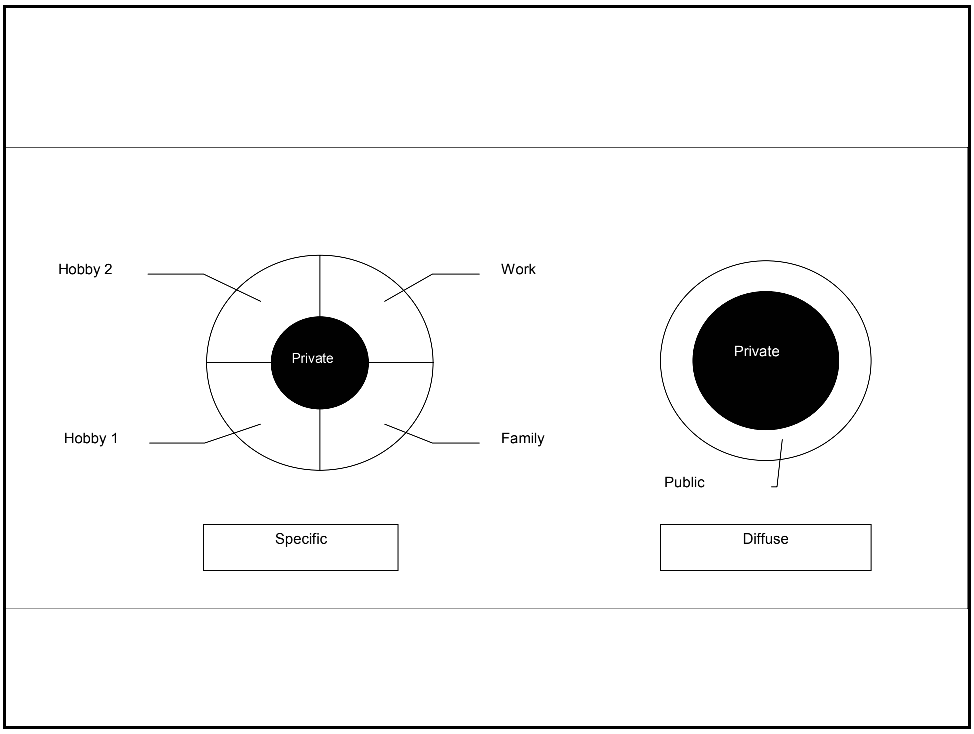
Of course, reputation always flows over to some extent into other areas of life. However, the extent to which a person's standing in one life space influences his standing in other life spaces varies between

[87] http://www.datascrip.com/ (17 November 2005)

societies. In diffuse societies one's reputation in one life space, for example work, permeates all other life spaces. What is specific in a strong diffuse orientation is the underlying assumption that what people are, naturally, legitimately and forcefully, influences the roles, power and capacities they have in society. A typical causal chain in this dimension is: he/she is a director, thus he/she belongs to the elite, and thus he/she must wear an expensive watch. In specific societies clear limits are set between life spaces. Here, for example, a job title is a specific label for a specific job in a specific place (Trompenaars and Hampden-Turner 1997: 83).

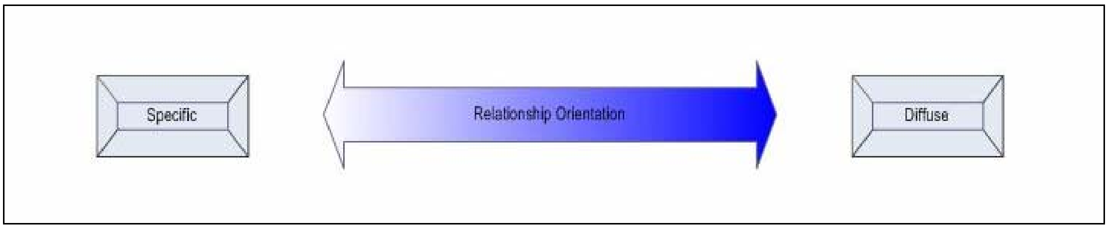
Trompenaars and Hampden-Turner have used the model of Kurt Lewin (1935, 1951), a German-American psychologist, in research of this dimension (see figure below). Lewin (1935, 1951) presents in his study "A dynamic theory of personality" personality as a series of concentric circles with "life spaces" or "personality levels", and sees contrasts between diffuse and specific oriented cultures. Lewin's circles show specific cultures, such as the U.S., as having much more public than private space, the latter segregated into many specific sections. The specific citizen can have status and reputation at work, in the sports club etc. but the status stays specific, i.e. it does not affect the person's reputation in other life spaces. A person who enters any of these life spaces is not necessarily a close or life-time friend and being admitted into one life space is not a very big commitment. One knows the person for limited purposes only, for example to play golf. This example reflects a society which scores rather specifically. The following exhibit depicts Lewin's theory which differentiates between specific and diffuse oriented societies. The difference between specific oriented societies (clear division between individual and public spheres) and diffuse (large private sphere, smaller public sphere which is categorized by smaller but not divided individual spheres) is evident.

Figure C-23 Lewin's life circles (author's adaptation)



In diffuse societies it is more difficult to access a person's life spaces as life spaces have no borders and barriers, i.e. if a person is allowed to enter one life space the person actually enters all life spaces. Trompenaars and Hampden-Turner (1997: 82) note: "The private spaces are large and diffuse, which means that once a friend is admitted, this lets him or her into all, or nearly all, your private spaces." The concentric circles are not simply mental pictures but refer to physical spaces in which people live. This is why private spaces, which include the home for example, are highly guarded in diffuse societies. This is visible for example in how private spaces are protected with high hedges and walls as is the case in Indonesia. Another concept connected with the idea of the relationship orientation is the principle of "losing face" which is important in diffuse cultures where one's lost face would permeate all other life spaces. China, Indonesia, Southeast Asia and Japan all score diffusively, whereas Germany scores in the middle of the ranking. The United States are very specific-oriented (Trompenaars and Hampden-Turner 1997: 88, 93) whereas Indonesia scores in a rather diffuse-oriented manner.

Figure C-24 Indonesia scoring rather diffusely

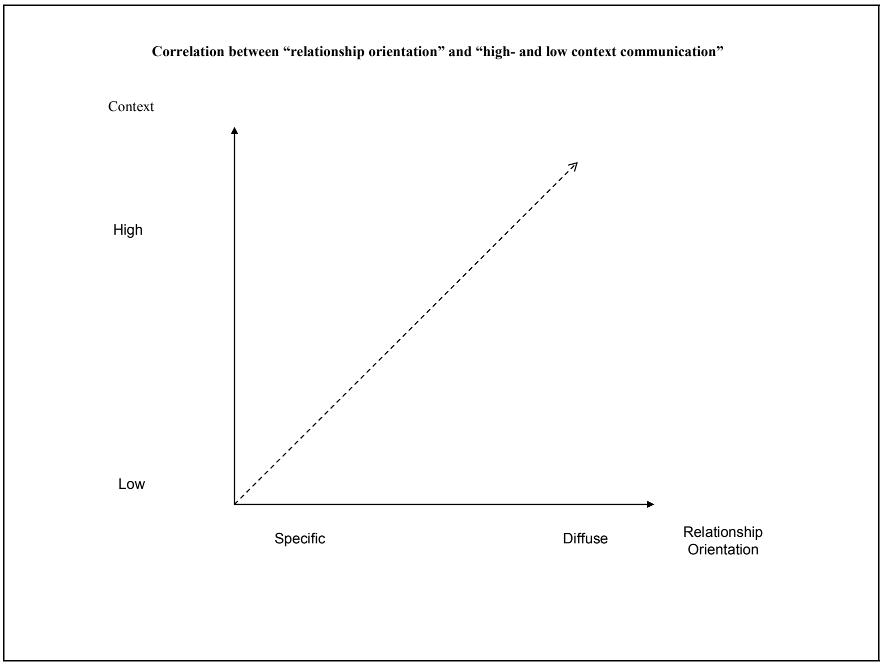


The relationship orientation has major impact on consumer behaviour and how companies can use the implication derived from the orientation in international marketing. The orientation has, for example, implications for customer relationship concepts such as endorsements (the inclusion of famous people in advertising campaigns), the involvement of people in the buying process and extends to the idea of which different requirements customers' needs products have to fulfil in a diffuse society compared to specific societies.

C.2.3.2 The orientation's cultural foundations in Indonesia

Not a great deal of research has been done into the extent to which culture elements, such as language or religion, influence the relationship orientation. However, it seems that the orientation correlates to some extent with the high-context and low-context orientation of countries. That is, those societies which score as high-context also score as diffuse. Therefore, language is probably one of the cultural elements which influences the orientation. Reasons why the Indonesian and other Asian languages score as high-context have been stated elsewhere and shall not be repeated here.

Figure C-25 Correlations between different orientations



It is important in this respect to remember, that in Indonesia, a grammatical phenomenon called "pronoun-drop" (Nothofer 2001: 29-32), which has been discussed already (in the context of the social orientation), and which is deemed to be a sign of a high-context language, with all the resulting consequences which affect this orientation, can be proven for the Indonesian language.

Additionally in this orientation, religion as a cultural element influencing a country's score is again significant. A diffuse score, often combined with an affective score (emotional orientation) (to be discussed later) is very common in Muslim countries, according to Trompenaars and Hampden-Turner (1997: 96), whereas Indonesia scores marginally as diffuse-neutral. The fact that the Indonesian score is diffuse is important in this case, and has major implications on how Indonesian consumers behave and how companies have to adapt their international marketing programs to court them. Owing to the comments concerning "high-context and low-context cultures" and "pronoun drop" made in previous sections describing other orientations, this section has been kept to a minimum, in the interests of brevity. The significance of this orientation is reflected by the influences concerning international marketing and consumer behaviour.

C.2.3.3 Implications for consumer behaviour and international marketing

The orientation and product usage

One of the orientation's important implications for companies is that in diffuse-oriented countries, such as Indonesia, products which might be used only for a specific purpose in specific-oriented societies are used for other purposes as the purpose for which the product was originally designed or intended (RD, interview December 2004). The diffuse consumer behaviour in diffuse societies leads to certain products being diverted to different uses from those intended by the company. Particularly in the realm of fast moving consumer goods (FMCG) is this visible in Indonesia and other diffuse-oriented nations where consumers are creative in using products for a diverse range of activities (for example tooth paste is used to clean tea pots whereas in specific countries there are probably products just being offered for this activity). Another often-mentioned misappropriation is the use of soap bars to clean hair. The list presented in interviews seemed endless. In these diffuse-oriented countries it is important for a company to have precise visual product usage descriptions in addition to text descriptions (IS, interview 2004). This is particularly important since, according to IS, Indonesians do not read manuals, which has lead to the misuse of products in many categories and which has sometimes resulted in injuries (IS, interview 2004).

Since products and their possible usage are seen more holistically in diffuse cultures where there are no specific life spaces, products should therefore also be designed in a way which allows multiple usage (multi-functional devices). From an Asian viewpoint the product appears to have more features when it is really an identical product (Kotler 2003: 31). A golf shoe in Indonesia might not only be worn on a green, but also in other locations or on other occasions. Or, for example, cereals are not only be consumed for breakfast but whenever one enjoys them. This has implications, for example for advertising campaigns which should not show actors eating breakfast at a specific time but perhaps at different times.

The orientation's influence on purchasing decision-making

Evaluations of participating observations in Indonesia revealed that consumers from diffuse oriented societies need more time to make a purchase than those from specific oriented societies. The reasons for their requiring a longer decision-making time for purchases is that, as a rule, sales consultations last longer, and the consumer checks the various product uses since a sole use of the product seems illogical to him or her. This leads to sales consultations for luxury goods, for instance, taking longer in diffuse societies than in specific societies. This was ascertained by implementing concepts such as participating observation, mystery shopping, customer observation, sales staff and manager interviews (SOGO, PRADA, Louis Vuitton, The Time Place, Cortina Watch, Versace, Hugo Boss)[88] (conducted in respective outlets in Plaza Indonesia[89] and Plaza Senayan[90], Jakarta, September 2004).

Due to the impact of diffuse-oriented behaviour orientation, sales consultations (mystery shopping)[91] in Louis Vuitton branches in Singapore, Jakarta, Surabaya, Hong Kong, Taipei, Kuala Lumpur and Seoul are considerably more time-consuming and in need of explanation than in branches in specific oriented countries, such as the United Kingdom or the United States. This leads to lengthy and detailed explanations of an article's design, the manufacturing process, the steps involved in this, manufacturing period and materials used, etc. This leads to European luxury brands (which have realized the difference between specific and diffuse cultures) converting their Asian boutiques into holistic luxury temples (and here the Japanese ones are exemplary) with exhibition rooms showing the history of the company, as well as museum-like premises where one can visit art exhibitions or listen to music performances, as well as the sales rooms. Thus BMW Japan invites its customers to classical concerts in its Tokyo showroom, while BMW Indonesia offers golf tournaments and BMW Malaysia, yachting events (DM, interview December 2004).

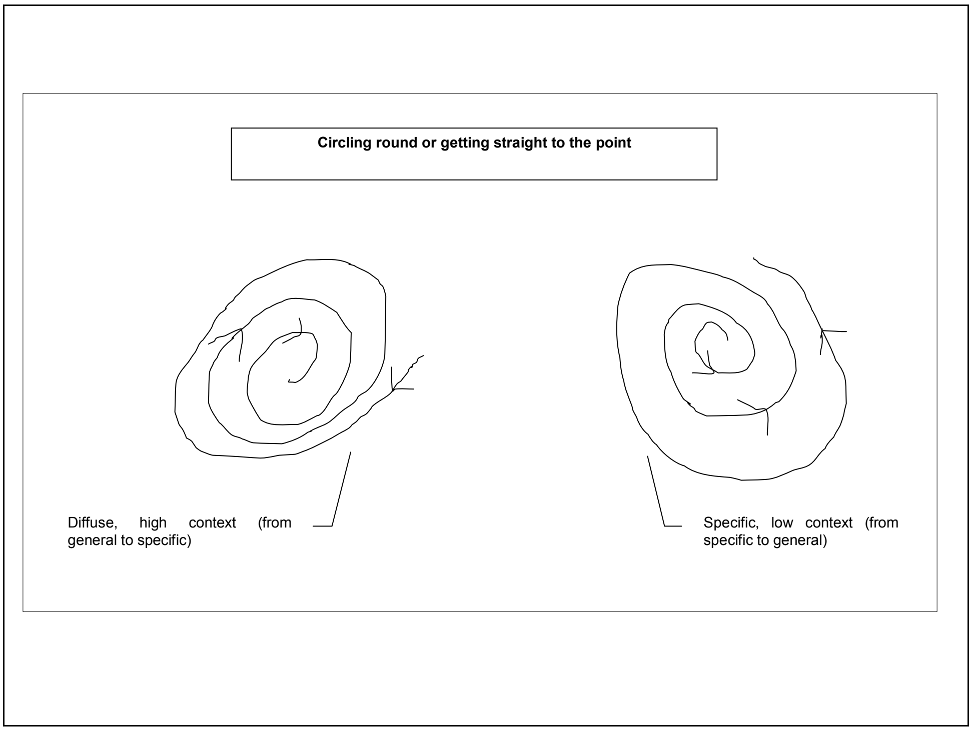
[88] Interestingly, most companies which represent European luxury brands in Indonesia (import and sales) belong to the Soeharto clan. The French luxury brand Hermes, for example, is represented by a niece of Soeharto. Most up-market boutiques call "Plaza Indonesia" its home, which together with the Grand Hyatt Hotel above the mall, is believed to be owned by the Soeharto family, too.
[89] http://www.plazaindonesia.com/ (19 September 2005)
[90] http://www.plaza-senayan.com/html/index.php (19 September 2005)
[91] A service test which serves to evaluate and determine quality of customer service of companies. This activity from market research and the findings leaned from it are the precondition for further initiatives to optimize service and to eliminate deficits. To this end mystery shopping is conducted (usually under cover) to evaluate criteria relevant to service. Staff friendliness and competence etc. are tested. A test customer poses test questions and rates quality of service.

Figure C-26 Product presentations in diffuse-oriented societies

Special report (5 pages) on production steps, materials etc. of this "season's must-have" bag, Singapore, ICON Magazine, October 2005

In contrast, in specific-oriented countries, where customer service is merely a question of selling, the selling process is not as time-consuming and detailed. Here, questions are not asked about personal lifestyle or wardrobe and the reason why the product is being purchased (in specific-oriented countries there is only one use for each product). The following figure, adapted from Trompenaars' and Hampden-Turner's model (89) illustrates strategies for getting to know other people and can be translated into the sphere of sales, too. The figure below shows the typically diffuse strategy (common for example in Indonesia) on the left. Here one circles around the stranger, getting to know the person diffusively and one gets down to the specifics of business only later when relationships of trust have been established. On the right hand side of the figure one can see the specific strategy where one gets down to the specifics of the business deal immediately. Selling with a culture more diffuse than one's own is very time-consuming. In diffuse cultures, everything is connected to everything else. This is true not only in the context of retailing but overall in business negotiations where one's business or interview partner from a diffuse-oriented culture may wish to know where you went to school, who your friends are, what you think of life, politics art, literature and music.

Figure C-27 Communication in diffuse and specific societies



The orientation and endorsements

The relationship orientation influences consumer behaviour in that consumers in diffuse societies seldom question the connection between a celebrity and the product he or she endorses. This is why David Beckham, for example, can advertise several products in Japan, from chocolate to whiskey, since his sporting reputation influences every life space (i.e. he is famous and successful, so he must know the best chocolate and whiskey, for example) (see also, Appendix 1, Figure 306).

Figure C-28 Endorsements in diffuse-oriented societies (1)

Wide appeal of celebrities in diffuse societies: Japan as an example for diffuse-oriented societies

Some examples:

Gibson smoldered his way through a car ad, Stallone sold ham and Madonna endorsed the local rocket-fuel, rice whisky.

More recently actors such as Cameron Diaz and Ewan McGregor have followed. Diaz replaced the Canadian singer Celine Dion as the face of Aeon English College, a language school chain. In 2001, the gig passed to McGregor.

An Aeon spokesman said foreign celebrities were chosen as "image characters" because of their wide appeal.

Beckham's power to drive up sales is unquestioned in Asia, with the tale of confectionery manufacturer Meiji Seika Kaisha echoed around the region.

Beckham appears in two television advertisements for Meiji Seika where he is seen eating their chocolate almonds.

"We started the advertising campaign last December and our sales (of chocolate almonds) doubled that month compared with the same time a year earlier," Meiji Seika spokesman Nariaki Hishiya said.

Beckham for Gillette

Beckham for Meiji

Figure C-29 Endorsements in diffuse-oriented societies (2)

Wide appeal of celebrities in diffuse societies

David Beckham for Gillette in Singapore (no reference to football)

Anna Kurnikova (reference to tennis)

Figure C-30 Endorsements in diffuse-oriented societies (3)

Wide appeal of celebrities in diffuse societies: Japan as an example for diffuse-oriented societies

David Beckham: Big in Japan: Beauty Lotions, Engine Oil and Chocolates. Four Days Work for £5m

But it can end quickly

Falling advertising budgets do account for some of the decline — David Beckham's reign as the king of Japanese adverts came to an abrupt end this year when chocolate companies and car-repair shops decided that they had spent enough. But advertising managers believe that the root cause of the change is to do with surging Japanese self-confidence.

David and Victoria Beckham gaze down from a billboard above Shibuya Station, one of the busiest pedestrian thoroughfares in Tokyo.
Photo: *David Hulme*

Safe driving with Beckham

In specific societies, ads are used more specifically, i.e. if a sport star advertises chocolate, it must seem to be healthy chocolate (diet chocolate) and it has to have attained a degree of credibility in the sports world. Advertising has to communicate clearly the connection between sports and chocolate (for example, eating chocolate on the tennis court). However, Beckham can, for example, advertise chocolate in a non-specific environment due to his fame in diffuse-oriented societies, as seen in the above figures. Another important point when using celebrities in advertisements is their credibility and ability to integrate. In a diffuse society such as Indonesia where religion plays a big role in the public and private life of people, people who are not only famous but also religious and who embody Islamic ideals have to be selected for endorsements (like for example Unilever Indonesia which successfully engaged Inneke Koesherawati).

Figure C-31 Inneke Koesherawati endorsing Unilever's Sunsilk in Indonesia

Inneke Koesherawati: “Cosmo-Muslim” for Unilever’ Sunsilk

Since life spaces are not separated but are inextricably entwined, the celebrity chosen to endorse a product has to appear credible in life spaces of importance to the consumer. This is vital in Indonesia and Malaysia where religion is not one’s own business and where celebrities are asked explicitly about their religious beliefs. This is the reason why there are hundreds of web pages and weblogs (blogs) on Indonesian stars (such as Inneke Koesherawati, chosen for the Sunsilk campaign), so that their fans and admirers can exchange ideas. In Inneke Koesherawati’s case, her clothes (the veil) are of particular interest and her beliefs are of general interest. The diffuse orientation can be advantageous for celebrities as someone who is famous in a particular field, especially music, can try out every imaginable field at the same time and still be successful. It is not relevant to ask why a model is trying out acting or singing; she is famous, so she must be good at everything.

The orientation and brand appeal

Generally speaking, the diffuse orientation has a positive correlation with the status orientation, meaning that diffuse societies are generally status oriented, too. When both concepts are considered with a product, this means that a brand name has to embody status and prestige in multiple life spaces (spill-over effect), not just in one. A brand normally known only by runners (for example, ASICS), which does not however guarantee status in other life spaces is less likely to be chosen over a brand which does guarantee this (IW, interview November 2004).

Another concept is brand loyalty. Trompenaars and Hampden-Turner (1997: 91) believe that diffuse cultures value loyalty more than specific cultures which could mean that brand loyalty is higher in diffuse cultures than in specific cultures. It would be interesting to see whether there actually is a correlation between brand loyalty and the orientation. The Indonesian consumer market is still too immature however shown in the fact that people consistently try out a different shampoo and soap, to allow a scientifically based investigation to be conducted (IS, interview October 2004). It is widely known that recent research actually shows that brand loyalty is high in some categories. However, what relationship this has with the orientation is unclear since data is unavailable (DT, interview December 2004) and as a result cannot be explained in greater detail.

The orientation and advertising

The diffuse orientation also has implications for advertising. Advertising in diffuse societies is to be carried out in such a way that the company is seen to be feeling responsible for the personal problems and welfare of its customers, consumers and society as a whole. Based on the concept of life spaces in diffuse oriented societies, citizens do not regard a company in a limited sense, but it is seen as a corporate citizen, with joint responsibility for the economic, social and political development of the country (IS, interview October 2004). This responsibility has also to be transferred to advertising. Especially in Indonesia, this became apparent in advertising campaigns during the financial crisis where companies indicated, for example, how products could be used more sparingly in order to avoid costs. Generally speaking, in diffuse oriented societies, public relations (PR) initiatives are an extremely important advertising tool compared to the marketing mix in specific societies (AR, interview, January 2004). Finally, company representatives must note that in a diffuse-oriented society, such as Indonesia, a more holistic marketing approach is needed as it is important to understand that products might be used outside the specific usage-pattern for which the company originally designed the product. Since there is no clear line drawn between people’s individual life spaces, the marketer is to approach the market from a wide range of perspectives including religion, language, history, and politics, etc. It is ideal, however, to start at a much earlier stage in the planning process i.e. to know the respective markets’ customers and their wishes, and to include both in the planning. This thesis, with its delineated orientations, fulfils this demand (pre-requisite). How companies can be faithful to this requirement will be shown in the case-study (Part D).

C.2.4 Emotional orientation

C.2.4.1 Definition

Reason and emotion both play a role in relationships between people, an observation which introduces the dilemma between the “neutral and affective orientation” (Trompenaars and Woolliams 2004: 83). The contrast between affective and neutral cultures is described by Trompenaars and Hampden-Turner

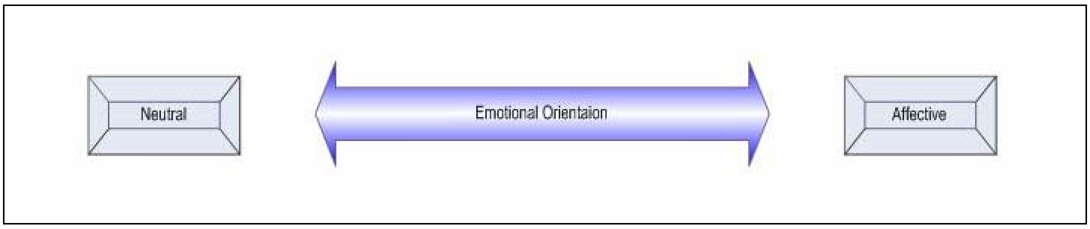
(1997: 63) as: “Members of cultures which are affectively neutral do not telegraph their feelings but keep them carefully controlled and subdued.” In affective cultures people show their emotions and get an emotional response in return. People in neutral-oriented cultures, on the contrary, do not show feelings as openly and emotionally as in affective-oriented cultures. The amount of emotion one shows therefore is often the result of convention (Vester 1991: 98-124). Vester (1991: 98) explains: “Emotions are ‘characterized’ by culture; they are ‘cultivated’ by cultural codes, i.e. emotions are represented in a system of signals, are expressed by semiotic processes and are ‘interpreted’ by means of signals” (“Emotionen sind durch die Kultur ‘gezeichnet’, durch kulturelle Codes ‘kultiviert’, d.h. Emotionen sind in Zeichensystemen repräsentiert, kommen durch semiotische Prozesse zum Ausdruck und werden mittel Zeichen ‘interpretiert’”, translation by author).

In contrast, in cultures scoring highly on affectivity, people show their feelings plainly by laughing, grimacing, scowling and gesturing. People in affective cultures attempt to find immediate outlets for their feelings. However, one should be careful not to over-interpret differences between neutral and affective cultures. Neutral cultures are not necessarily cold or unfeeling, nor are they emotionally repressed. Societies do differ only in the extent to, and the way in which feelings are expressed, but do not differ in the issue of whether feelings are expressed at all, or not which means that showing emotions is culturally restricted.

There are considerable variations between countries’ rankings. Countries were classified according to their response to questions asking, for example, if they would express their feelings openly. In Indonesia 55 percent, in China 59 percent and in Singapore 48 percent of those who participated in the survey were in favour of not showing emotions openly, according to Trompenaars’ and Hampden-Turner’s research. Malaysia (30 percent of respondents were in favour of not showing emotions openly) scores much lower and other Muslim countries, like Egypt and Kuwait, score even lower, i.e. are actually in favour of showing emotions openly.

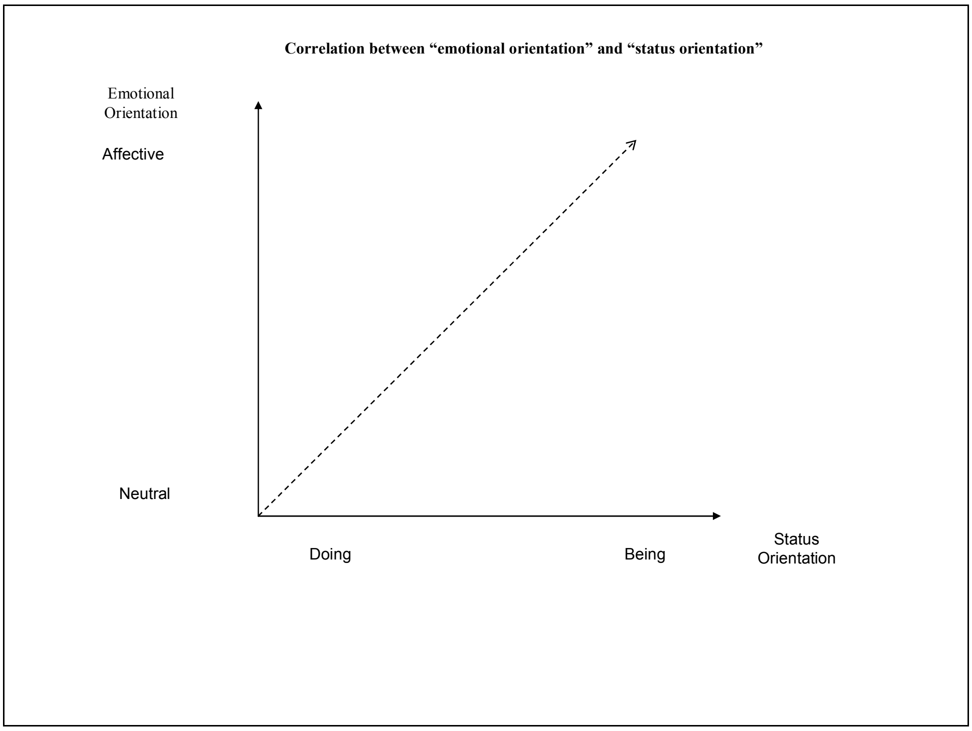
People in affective-oriented countries reveal their thoughts and feelings verbally and non-verbally, an extreme example is behaviour at Middle Eastern Muslim funeral services or via the most recent uproar over the caricatures of Mohammed which reflects the transparency of their emotions and the expressiveness with which they try to release tensions. Touching, gesturing and strong facial expression are also common in affective countries where statements are declaimed fluently and dramatically. The amount of visible emotion is a major difference between cultures. Indonesia, however, scored in the middle, (namely between neutral-and affective, and is therefore less affective-oriented than most other Muslim nations, but also less affective-oriented than Malaysia). Indonesia is therefore to be considered as neither solely neutral nor as purely affective-oriented, as shown in the figure below.

Figure C-32 Indonesia scoring "in the middle"



The contrast between affective and neutral cultures is closely related to the "being" versus "doing" divide (status orientation). If people are strictly "doing"-oriented they generally tend to disregard expressions of "being". Feelings and affectivity are seen as being in the purely personal and private realm. Thus, neutral cultures tend to suppress these feelings and view their direct expression as inappropriate for effective interaction. This correlation can be pictorially expressed in the following way.

Figure C-33 Correlations between different orientations



Prior to examining the repercussions of the orientation on consumer behaviour and international marketing, in the next paragraph, the general cultural conditions which lead to the previously described behavioural patterns, will be examined.

C.2.4.2 The orientation's cultural foundations

Asked which cultural influences made Indonesia score so differently from all other Muslim nations, interview partners in Indonesia argued that the reason is to be found in Javanese social conduct where loud and very emotional behaviour is unacceptable (Magnis-Suseno 1981: 37-54). It is considered polite to speak slowly, softly and monotonously, whereas fast, loud speech is considered crude, and shows great variation in pitch (Markham 1995: 104). Similarly in the Javanese Shadow play, wayang, heroes, knights and noblemen use monotone, polite, and soft speech ("alus"). Giants, demons and comic characters, on the other hand, speak using the crude "kasar" register (Soepomo 1968: 54-55; van Groenendael 1985: 21-39). Javanese social behaviour, according to interviewees, has influenced Indonesian people's behaviour to some extent over time although large differences between ethnic groups in Indonesia are still noticeable (MP, interview, December 2004). However - and this is an interesting point to make - it was mentioned, that it seems Indonesia is moving somehow in the direction of being affective, although Trompenaars and Hampden-Turner (1997: 94-97) believe that value orientations will remain stable over time. However, social practices such as popular music and TV, have partly left behind the rather neutral emotional behaviour of Indonesians. Take for example "Dandgut" music, the shows presenting it and Islamic TV dramas which tend to be highly emotional (more emotional than, for example, German soap operas). These shows reflect only one trend, i.e. they can be found on the outer layers of culture, and not the core. The change to often highly emotive behaviour on TV or on shows can be approved but does not imply however that such behaviour would be acceptable in real life.

Again however, one of the cultural elements shaping this orientation is religion and Islam is generally seen as affective (emotional) where emotions flow easily, effusively, vehemently and without inhibition. The heated, vital, animated expression once only known from TV news broadcasters in the Middle East, has now entered Indonesia, too, as could be vividly observed during the Tsunami catastrophe (own observation, December 2004). Notwithstanding, this development in Islam seems to play a lesser role (at least for Indonesia) in its effect on the orientation, than, for example, in the Middle East. The reasons behind this are Buddhism and Hinduism with their religious concepts focusing on contemplation and containment, which together with indigenous Javanese world view, colour Indonesian cultural behaviour which can be described as neutral in its emotional dimension. Here, one can see that although there are differences between Asian countries, religion here seemingly has less impact, otherwise Indonesia and Malaysia would score more like Arab countries where warm, expressive and enthusiastic behaviour is not seen as lack of control over one's feelings. As the orientation is strongly connected to communication, i.e. the exchange of information, it seems reasonable to suppose that "language" is another cultural element which influences a society's orientation between neutral and affective. Indonesian speakers have a rather monotonous style which reflects the self-controlled attitude of respect. Frequently, the higher the position a person holds, the lower and flatter the voice. Shouting is a sign of loss of "face" (BR, interview November 2004).

C.2.4.3 Implications for consumer behaviour and international marketing

The orientation and advertising

The emotional orientation issue is important in the field of marketing communication whether it is TV, radio or print advertising. Every culture has certain codes and rituals that allow for a compromise between the two extremes, namely affective and neutral. What varies, is the starting assumption: (1) expressing emotions is legitimate and useful for action (affective cultures) and (2) expressing emotions needs to be separated from action (neutral cultures). To what extent emotion in advertising can be expressed, depends on the extent to which the society is neutrally or affectively oriented. It is perfectly feasible to express positive emotions in a humorous way in the less affective (rather neutral) Indonesia. Negative emotions on the other hand, cannot be shown since that would lead to a loss of face in Indonesia. However, this differentiation is more complicated in Indonesia than in other countries, such as China, since the former appears to be stuck somewhere in the middle between neutral and affective. China, on the other hand, is unequivocally neutrally oriented, and this is reflected in advertising. Moreover, this orientation is influenced more than any other orientation by personality, i.e. the personality traits and individual interaction which influence whether a person behaves rather neutrally or affectively. However, some of the important findings about the orientation's influences on consumer behaviour and how marketing adapts to this behaviour were revealed in interviews in Indonesia.

Generally, to be taken seriously, language in Indonesian advertisements should reflect self-control (BR, interview November 2004). The higher the status of the product advertised, the lower and flatter the voice. Cool and self-possessed conduct is admired and gesturing or strong facial expressions are often taboo (BR, interview November 2004). Advertising statements are often read out in a monotonous voice. Warm, expressive and enthusiastic behaviour (interpreted as lack of control over feelings) should particularly be avoided when promoting prestigious products since they are supposed to give status and prestige to the buyer and any display of emotion is at odds with the display of high status (RD, interview December 2004).

Of course, there is no doubt that, as a matter of principle, advertising in Indonesia should appeal to the emotions of its target consumers, but what few advertisers without Indonesian-specific knowledge realize, is that emotions play a lesser role in this country than in other Muslim countries which score rather affectively when interviews in Indonesia are considered (Social Marketing Circle Indonesia, welcome address, Power Breakfast 2004)[92]. When referring to Indonesia's score, Indonesians are less affective than Malaysians but less neutral than Chinese; Indonesians need more rational reasons in ads to buy products than Malaysians, but fewer rational reasons than the very neutrally-oriented Chinese consumer. The reasons given why a product should be bought by the customer should emphasize specific

[92] http://www.bisnisjakarta.com/agenda_bisnis.html?start=20&bulan=9&tahun=2004&dt=1096218000&s_q=&PHPSESSID=8ed9a7be114243126ca35e7a814be23a (12 August 2004)

features, benefits, quality, or guarantees and should be read in a relatively neutral language. Visual language, on the other hand, is decidedly emotive in Indonesia, as in Malaysia.

Figure C-34 Emotional visual language in Indonesia (left) and Malaysia (right)

Furthermore, and this is now one of the most important findings, this changes dramatically during emotionally charged times, such as Ramadan (the Muslim fasting month), when people are generally more expressive. During this time, companies advertise with specially produced ads featuring touching, moving cultural and religious symbols and gestures. Emotions play a much larger role then in Indonesian advertising, reflecting the more affective Indonesian consumers' psyche.

Figure C-35 Emotional visual language in Indonesia (1)

Interestingly, ads during Ramadan are then much more affective there than in Malaysia (which generally is more affective-oriented, but where advertising themes do not change in the same patterns as in Indonesia). The reason might be that Malaysia has a lower Muslim population portion than in Indonesia where over 80 percent of all citizens are Muslim. Further investigation and interviews in Malaysia (2004: CCL, AR) showed that even in newspapers and magazines which are exclusively targeted at Malays (Muslim Malaysians), such a swing towards affective ads cannot be observed. During Ramadan, emotions play a large role in making purchasing-decisions, and therefore companies should tap into this emotion through symbols (as shown in the following figure).

Figure C-36 Emotional visual language in Indonesia (2)

As can be seen from the visuals, during Ramadan ads in Indonesia are emotionally charged. A specific colour such as green, Muslim symbols, gestures and traditional, often oriental-sounding music, is played on TV and radio ads. Also, the content of television programs changes during that time; more Muslim TV dramas are played and presenters wear Muslim clothing. TV stations such as MTV play more traditional music while video jockeys (VJs) wear Muslim clothing and the studios are decorated with Arabic décor. Interestingly, ads in rather affective Malaysia, which do not become more affective during Ramadan, become very affective during national holidays, notably National day. This is the time when Malaysian ads can be described as very emotional.

Rather than displaying overt emotion to sell a product, the Indonesian will strive to create an overall atmosphere (“feeling tone”) (IS, interview October 2004) in an advertisement. This approach is especially popular when advertising traditional Indonesian products, such as domestic food or “kretek” (Indonesian for clove) cigarettes. For example, the tranquillity of a Balinese rice field requires little display of human emotion to get a message across. This kind of ad seems to be very successful since Indonesians understand the feelings and atmosphere even though there might be no strong changes in facial expressions. It requires little display of human emotions to get a message across when themes such as “Bali”, “mountain” or “Kampung” (Indonesian for village) are used in Indonesian advertising.

Figure C-37 Emotional visual language in Indonesia (3)

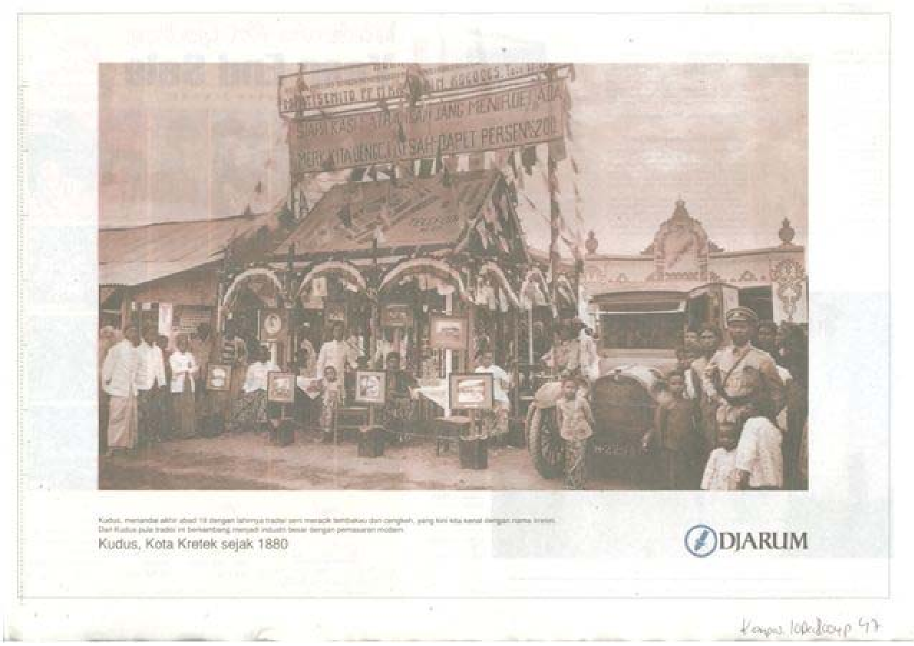


Figure C-38 Emotional visual language in Indonesia (4)

This can be linked to a further idiosyncrasy of the Indonesian language, namely the widely used paraphrasing. At its most polite, this form of expression can be very visual and differentiated (Markham 1995: 105).

Figure C-39 Emotional visual language in Malaysia

Kampung "feeling tone"

It is evident that, owing to the ambivalent positioning of Indonesian society (i.e. neither very affective nor very neutral), an area of conflict emerges which is especially apparent in advertising. Advertising communicates in neutral words and emotive pictures, i.e. makes use of emotive visual language. During Ramadan this impression is even stronger, i.e. the visual language becomes more affective, for example by using various cultural symbols.

The orientation and endorsements

Additionally, the emotional orientation is reflected in the choice of endorsements for products whether in promotional campaigns, such as road shows, or in media advertising. In Indonesia, whose score is between affective and neutral, celebrities are often used to endorse products. In very neutral China, however, neutrality towards displaying emotions is reflected in the frequent use of experts rather than enthusiastic product users in advertising. In China, many products are endorsed by a person wearing a long white lab coat (representing an authority like a doctor) (Appendix 1. Figure 94). In a similar way, candy may be endorsed by happy children, but a parent, doctor, or kindergarten nurse will also be there to add that the product is good for the child's health. In China, an overtly enthusiastic advertisement or talking "too much" is often associated with not knowing much, or to use a Chinese proverb, "you have more saliva than tea" (SN, interview September 2005). Although experts are used to back products such as health supplements, for most other products the use of experts in Indonesia is rather uncommon, so advertisers fall back on popular celebrities for endorsements. This is clearly visible from the marketing campaign for the product featured in the case-study in the practical part of this work (PART D). In it, an Indonesian celebrity, not a hair expert, endorses a new hair shampoo. The celebrity endorsing the shampoo does not try to convince consumers to buy the product by listing reasons in favour of purchasing the product, as the hair expert would do.

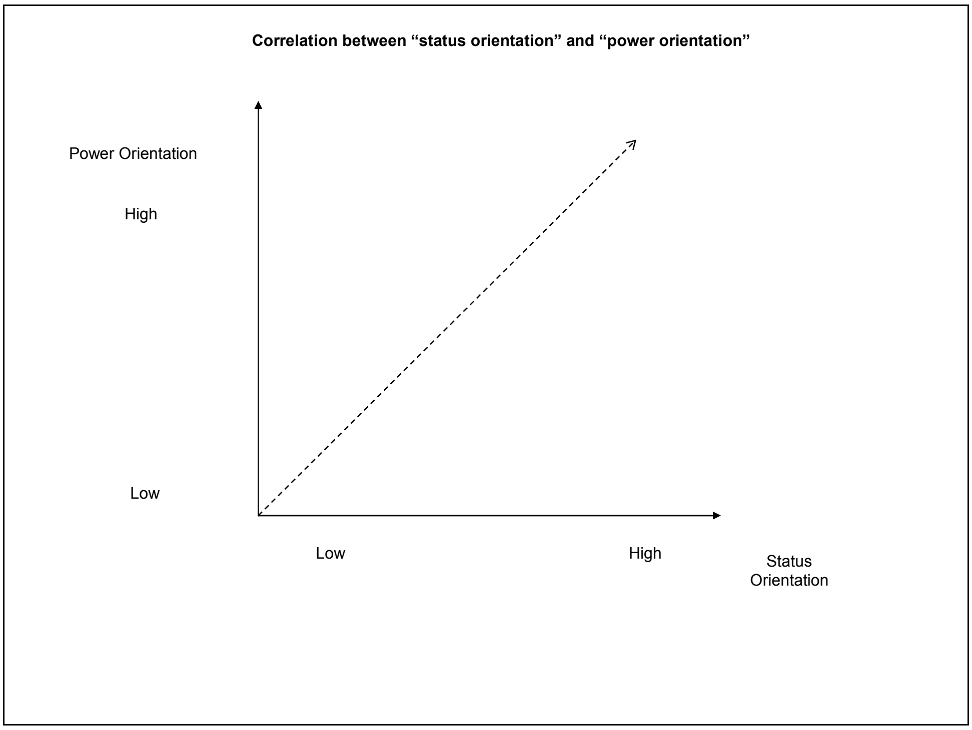
It remains to be seen whether or not advertising activities on the part of companies will become more affective and whether they will make greater use of religious imagery, owing to the influence of Islamization. In a multiethnic country, would ethnic-specific marketing not be more sensible since twenty percent of the Indonesian population is not even Muslim and the Sino-Indonesians with their on average high disposable incomes could, for example, easily be put off by advertising which is overly affective? Particularly in the context of this orientation, more in-depth research needs to be carried out considering ethnic-specific advertising appeals.

C.2.5 Status Orientation

C.2.5.1 Definition

It is a matter of fact that all societies assign certain of their members higher status than others. By doing so they signal that special attention should be given to these individuals of higher status. To describe the variation in how different societies assign status to their members, Trompenaars and Hampden-Turner introduced the “dilemma between achievement and ascription” (Trompenaars and Hampden-Turner 1997: 102-119; Trompenaars and Woolliams 2004: 97). Generally, status is the relative rank that an individual holds, with attendant rights, duties, and lifestyle, in a social hierarchy based upon honour or prestige. Status may be ascribed (assigned to individuals at birth without reference to any innate abilities) or achieved (requiring special qualities and gained through competition and individual effort). The first form of status is called “achieved status” and the latter “ascribed status”. While achieved status refers to what one does and to what one has done (“doing”), ascribed status refers to who one is (“being”) (Trompenaars and Woolliams 2004: 97). Ascribed status is therefore typically based on gender, age, race, family relationship, or birth, while achieved status may be based on education, occupation, marital status, accomplishments, or other factors. In ascriptive oriented societies, one is one’s status. It is important to see how different the logics of achievement and ascription are and not consider either as meaningless. The status orientation is correlated with the power orientation, i.e. countries which score highly on Hofstede’s power distance index (Hofstede and Hofstede 2005: 43-44), also score highly on the ascribed status orientation. Both orientations’ implications for consumer behaviour and international marketing partially overlap, but their cultural foundations are different as well as their character, or meaning. As can be seen in the figure below, status orientation correlates positively with power orientation, i.e. in high power distance societies, ascribed status orientation dominates.

Figure C-40 Correlations between different orientations

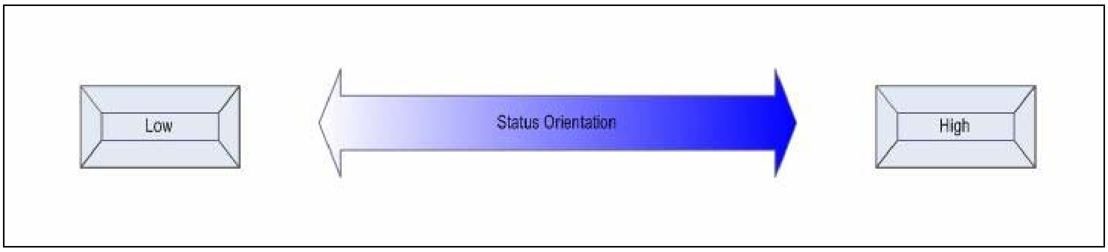


A certain status is natural to one as one's birth or formal education through which one's innate powers were made manifest. Ascribed status simply "is" and requires no rational justification, although such justification may exist. In these societies one is, for example, respected more because of age and experience than for achievements, whereas achievement oriented societies believe that such behaviour is rather archaic (Trompenaars and Hampden-Turner 1997: 103). In ascriptive oriented societies, therefore, status is attributed to those who "naturally" evoke admiration from others, that is, older people, males, highly qualified persons and/or persons skilled in a technology or project deemed to be of national importance. To show respect for status is to assist the person distinguished in this way to fulfil the expectations the society has of him or her (Trompenaars and Hampden-Turner 1997: 113). In these societies the individual is unique and not easily comparable with others.

Most literature, such as David McClelland's (1966) "The Achieving Society", sees achievement orientation as part of modernization processes. The theory goes that (this idea results from the essence of American Protestantism), once business achievement is rewarded, the process is self-perpetuating. However, Trompenaars' and Hampden-Turner's research shows that the achievement orientation might be sufficient but not necessary for modernization and economic growth. South Korea and Japan (Trompenaars and Hampden-Turner 1997: 105) score in an ascription oriented and not in an achievement oriented way. Their score has been stable over the years, despite the countries' modernization with all the social and economic transformations that went with it. Indonesia scores as a very ascriptive society

(Boucher-Floor, THT consulting, email August 2004; Trompenaars and Hampden-Turner 1997: 105; Trompenaars and Woolliams 2004: 98) whereas Singapore is much more achievement oriented. This is abundantly clear from advertising as it will be demonstrated.

Figure C-41 Indonesia scoring highly status-oriented



The cultural foundation of the orientation in Indonesia will be discussed in detail in the following section.

C.2.5.2 The orientation's cultural foundations

The orientation and religion

What are the cultural foundations causing Indonesia to score as one of the most ascriptive oriented societies? There appears to be a reasonable answer to this question. The cultural element religion exerts the greatest ability to shape society in all of the countries investigated. Depending on content, moral guidelines and interpretation, religions shape culture in diverse ways. In the context of this orientation, the ability to shape status orientation can either be ascribed or achieved depending on the existing religion in the country. According to Trompenaars and Hampden-Turner (1997: 104-107) the idea of achievement orientation generally goes back to the essence of Protestantism: the pursuit of justification through works which long ago gave achievers a religious sanction and capitalism its moving spirit (Trompenaars and Hampden-Turner 1997: 104). People work hard to assure themselves of the esteem of their culture (Weber 2005). Catholic countries ascribing status to more passive ways of life, Hinduism associating practical achievements with delusion (Eliade and Culianu 1995: 293-294), and Buddhism teaching detachment from earthy concerns (Eliade and Culianu 1995: 267-268) are all forms of ascribed status with its impact on social behaviour. Aspects of ascription vary greatly from country to country whereas Protestantism correlates with achievement orientation and Catholic, Buddhist and Hindu cultures score in a considerably more ascriptive-oriented manner. Howe (2001: 84-108, 138-162) illustrates what importance status and hierarchy still exert on Bali today.

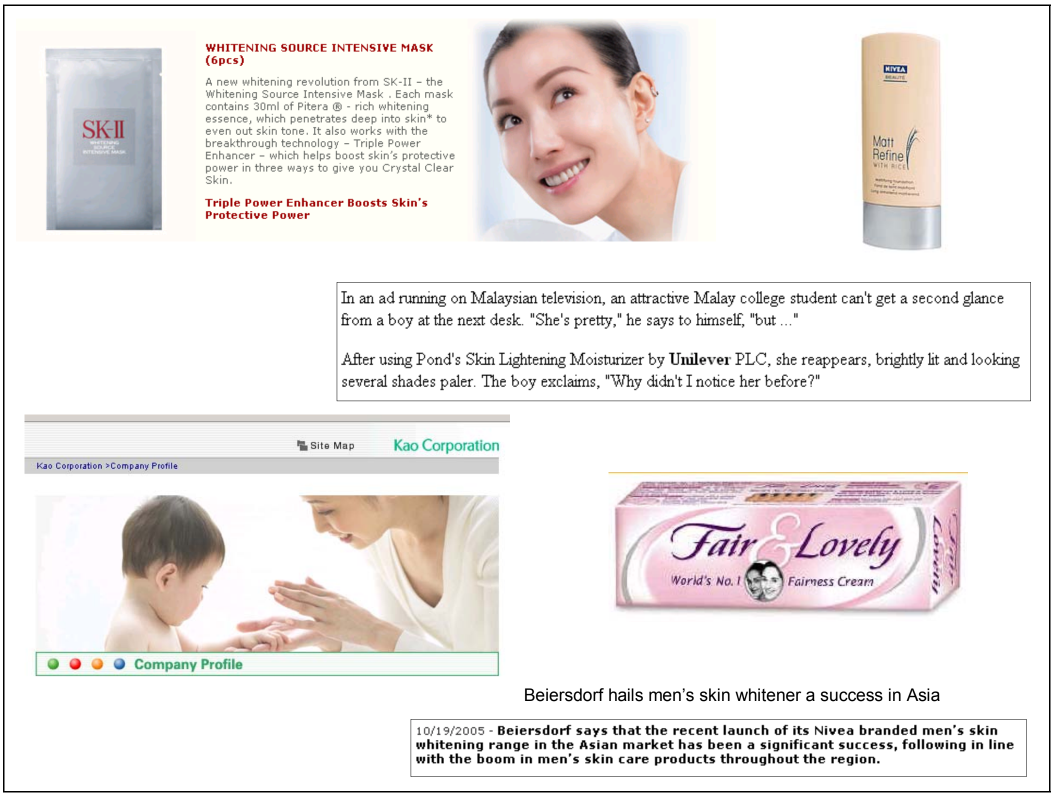
Although Trompenaars and Hampden-Turner (1997) make no reference to Islam and in which way Muslim belief influences the status orientation, taking a look at how several Muslim countries score in this orientation provides clues. In Trompenaars' and Hampden-Turner's tables (1997: 105-106), Muslim countries score highly on the ascriptive orientation although Islam preaches essential egalitarianism within the community of the faithful. This apparent contradiction can be justified in the following way.

The tendency of the Islamic ethic to strengthen the community at the expense of the extended family or tribe has not succeeded, however. Muslim society, until modernizing influences encroached upon it, had remained basically one composed of tribes or quasi-tribes which strengthened elements such as descent and lineage (which are clearly "being") and influenced a society's orientation in the direction of ascribed status.

However, the ascribed-status supporting role of Islam, whose ability to shape cultural behaviour and therefore the status orientation, is less prevalent in Indonesia. The reason for this is, pre-Islamic religions have been influencing Indonesia's contemporary social structure in a lasting way, as already discussed at length in the context of other orientations. The concept of ascribed status is founded in its history and especially refers to the time before Islam became influential as Palmier (2004: 5) reveals. She continues by explaining that "the conversion to Hinduism of Indonesia, and the consequential unification of the archipelago, brought hierarchy with it" (Palmier 2004: 5). The most striking manifestation of Hinduism and its impact on status groups is found in the religion's caste system. Before the coming of the Hindus it would appear that there was relatively little social class differentiation, i.e. pre-Islamic religions also possess considerable influence in connection with these orientations.

The initial questions can be seen to be clarified, namely that Hinduism and its societal influence led to the development of hierarchies which previously did not exist in this way. The following line of argument will facilitate comprehension of these connections. Before the arrival of the Hindus, shifting-cultivation was the dominant agrarian method in Indonesia. Shifting cultivation, a flexible and highly adaptive means of production, was one of the very first forms of agriculture practiced by humans who took an area of land to use for agriculture, only to abandon it a short time later. Before rice began its spread across Southeast Asia, the physical mobility (nomadic movements) of groups relied on hunting and gathering (Piper 1993: 12). They practiced shifting-cultivation which usually did not lead to the creation of permanent settlements with hierarchical social structures. Irrigated rice seems to have become established in Java shortly before the ascendancy of the Majapahit kingdom in the thirteenth century (Piper 1993: 12). Wet-rice cultivation which was introduced by Hindus and which gradually eroded shifting-cultivation as the dominant method of agriculture, led to a settled form of existence and with it also the creation of a "social structure of differing degrees of status" (Palmier 2004: 5). In this new social structure power then came into the hands of the nobility, who were both military and spiritual leaders, and subservient to the sultan (Palmier 2004: 5). These have always gone to great lengths to emphasize and trace their descent and kin relations (Palmier 2004: 7), a fact which displays qualities of an ascribed status orientation. These new society structures offered a hierarchy of statuses. One quality which gave and continues to give value is an occupation. The value of an occupation in this system increased with distance from manual labour, i.e. the further away, the higher the status. "A way of life free from the toil of one's hands is 'refined'; one which involves it is coarse", writes Palmier (2004: 5). This is an attitude to life which still persists in Indonesia and Thailand today, and which is noticeable in certain cosmetic brands' sales figures. Since status is not associated with manual, outdoor occupations, but rather with jobs in air-conditioned offices, having tanned skin is tantamount to being unrefined, since a tan is linked to manual labour. The paler the complexion, the higher the status. This explains why so many people are attracted to skin lightening cosmetics. The following figure presents some information on these lightening products.

Figure C-42 Advertisements for skin whitening products



According to Rappe (1995: 341), self-identity on Java is especially dependent on social status. This status is pre-determined through birth or by decent, and must be corroborated through rituals. Errington (1984: 278-280) provides a sophisticated portrayal in this context. According to it, there are two kinds of self in the tradition of Javanese nobility ("priyayi"): the large, "aku"-self, and the small "ingsun"-self. "Aku" is the worldly self, brought out by interaction with the world. This "aku"-self must be overcome, so that man can achieve unity with the holy, refined "ingsun" self. Both relationships have differing personal pronouns in the first person. "Aku" is used for spontaneous, familiar discourse, in the so-called "ngoko" register in Javanese (Markham 1995: 95-98). "Ingsun", on the other hand, is used as the personal pronoun for the king and gods of shadow play "wayang kulit" and is reserved for festive, ritual occasions. These differing spheres correspond to internal and external behaviour. In this way the "aku"-self can be assigned to the area crude ("kasar"), in which uncontrolled passions play a huge role. The "ingsun" self, in contrast, represents the refined ("alus") area of people. From the "aku"-self one gets to the "ngsun"-self by performing mystical practices by which one attains the necessary dignified feeling ("rasa"). The following elaborations will highlight the importance of status.

The orientation and language

Besides religion, language (particularly the Javanese language) supports Trompenaars' and Hampden-Turner's classification of Indonesia as an ascribed status orientated society. As already explained in detail in another paragraph (power orientation) the Javanese tongue is structured so that it permits recognition of seniority and social status as well as having fine nuances (Keeler 1994: xvii-xxiv). Basically, it has two main language forms. Addressing one's juniors, inferiors or intimates one uses "ngoko"; addressing one's seniors, superiors or strangers, one uses "kromo" (Markham 1995: 95-98). Palmier (2004: 44) notes in this respect: "… naturally, the kinship terms of reference for seniors were usually of the honorific vocabulary, "kromo"; for juniors of the "ngoko". Woodward (1989: 8-9) clarifies that Javanese chronicles ("babad") are exclusively concerned with princes, kings and local saints.

The above-mentioned observations cited as the basis for Indonesia's ascribed status orientation are, like all culture elements, prone to a dynamic process of change. These transformations led to new status symbols replacing others as described by Palmier (2004) and Gerke (1999) through shifts in meaning of noble titles and other such symbols. Palmier (2004: 48) explains:

> *"Whether in housing, dress, manners, education, interests, or speech, these leaders are moving out of traditional Indonesian styles into modern Western ones. And the more Western, the more prestige." (Palmier 2004: 48)*

This change in how certain status symbols are regarded does not, however, lead to a general change in status orientation in Indonesian society. This is owing to the fact that this change only affects the attributes described as practices in the model of the culture onion. The values which remain constant are therefore unaffected by this change. This is shown in the extent to which fascination with status, hierarchy and symbols (in whatever form they may take) continues to mould Indonesian society. As shown, societies confer status on individuals in diverse traditions. In Indonesia, status and prestige are associated with seniority (which is often associated with experience), nobility and job titles, family names, and ethnic and religious background. These qualities (attributes of being) generally count more than specific achievements (attributes of doing) in Indonesia. However, a change seems to have taken place over time as to which properties are associated with status. These changes took place in the form of an increasing significance of new elements, while at the same time a loss of other elements' importance occurred. Elements are understood as differing symbols which convey status. Although the above-mentioned attributes such as family name or nobility continue to be significant, they have been complemented by materialistic attributes such as possessions (Gerke 1999). This means that status and prestige are nowadays things that can be bought, for example objects such as televisions, mobile phones, motorbikes and cars have a high status value, as do nearly all consumer goods available today. Their status increases with the price paid for the product.

Thus it is possible to possess consumer goods and the status which accompanies them through hard work and its resulting affluence. This does not mean, however, that ascribed status oriented Indonesian society is shifting to an achievement orientated one as a result. It is not activity (doing) through which affluence is accomplished, but the symbols and their display which primarily creates status. It is precisely because of this fact that status symbols continue to exert such great influence with important repercussions on consumer behaviour and international marketing. Leslie Palmier (2004) takes the change in status and its impact over time on Java as her subject matter and confirms with her research that originally the cultural element religion brought hierarchy and with it the ideas of status and prestige to Indonesia. Symbols which entitle status have changed over time. Especially the western influences which first came to Indonesia with colonization play a role. The repercussions on marketing and consumer behaviour will be explained in the next paragraph.

C.2.5.3 Implications for consumer behaviour and international marketing

Status orientation has far-reaching implications on the one hand in its influence on consumer behaviour, and on the other, in the extent to which companies tailoring their marketing strategies to the orientation (insofar as those in charge) are aware of the existence of different status concerns (DM, interview December 2004; IW, interview November 2004; SL, interview October 2004; HS, interview October 2004; KS, interview October 2004; JiK, interview October 2004; LSML, interview October 2004; KSBH, interview October 2004; AK, interview October 2004; ACWC, interview October 2004; AR, interview April 2001, September 2004, December 2004; CCL, interview August 2005; SN, interview August 2005). Since this orientation affects all marketing aspects (4Ps), the orientation’s impact on the 4Ps (product, price, place, promotion) should be discussed. First of all, however, Indonesian consumers should briefly be interpreted in the framework of the status orientations.

Basically it is noteworthy that Indonesians are extremely status conscious. This consciousness is apparent in all aspects of life, not only in consumer behaviour. It influences to a greater or lesser extent the entire population’s behaviour, even though Indonesians with a Chinese background (Sino-Indonesians) are considered to be less status conscious (SL, interview September 2004). This lack of status consciousness is evident from the fact that purchasing status symbols is not a top priority for them, even if financially possible. It is not a cliché to say that it is more important for the Chinese minority to have a school and university education for their children than it is to purchase status symbols (SL, interview September 2004).

When it was suggested that all areas of life are affected by status orientation, the religious sphere is not excluded from this. Undoubtedly Indonesians show more respect for people with religious knowledge (irresponsible of religion). Differing status is recognizable, for example in Protestant communities in Jakarta, by the fact that certain chosen members of the community or foreign visitors automatically sit in the front row, and if this is not the case, they are requested to do so. Frequently the front row has different seating available - often decorative sofas. It is assumed or known that the people who are seated here have a higher status. It was observed that foreigners who generally receive high respect are usually asked to sit in the front row or at a table with a so-called VIP or a person considered to be important. The Indonesians who arranged the foreigner's visit and who greeted him or her are also endowed with status. Therefore the people who invited the author were asked to sit further towards the front than their status would usually permit, and a year after the author's visit they were still allowed this privilege.

The same was true of conferences and seminars where foreigners and wealthy looking Indonesians received privileged treatment. This meant that the author was automatically seated at Chatib Basri's table (MarkPlus Economic Outlook, Jakarta December 2004)[93]. If the Indonesian counterpart's status is unclear, then clothing, language and manners automatically count as status. This explains their obsession with status symbols. Palmier (2004: 149) notes: "Indeed, the pattern of clothing was itself revelatory of status". Whoever is well-dressed, preferably with clearly visible designer logos (logo-mania), receives a lot of respect. Security checks at the entrances of malls, hotels and restaurants are less stringent for seemingly expensively dressed people, who are treated by the security staff in what can be described as an obsequious manner (from a western viewpoint). Anyone who gets out of a Mercedes-Benz at the Grand Hyatt Hotel in Jakarta, for example, receives the red carpet treatment. Anyone who asks for a taxi there and is well dressed will not have to wait in line at the taxi stand, because it will immediately be organized for them. And apart from the foreigner who follows the rules and waits, no one will complain about this person's apparel dependent behaviour. Indonesians understand and accept this behaviour and always seem to justify it with similar comments such as "This person is rich, so she/he deserves this treatment…".

Foreigners may in general perceive the status consciousness and behaviour on the part of Indonesians as somewhat grotesque. An Indonesian employee at the Portuguese embassy, for example, takes a taxi to work although these daily trips drastically reduce her disposable income (MI, interview September 2004). It was argued that as an employee at an embassy, to go by bus is not the done thing, since this would mean loss of face in the neighbourhood and in front of colleagues. Behaviour of this kind is reminiscent of Mulder's assessment (1990: 139): "In questions of status, the Javanese are irreconcilable". According to him, people are often obstinate and uncompromising, determined to protect their status with all means and regardless of the consequences, all of which can be traced back to the fear of losing (ibid:

[93] http://www.markplusnco.com/ (13 August 2005)

139). Passengers on the bus would also wonder in the case of the embassy employee why a well dressed lady had to take the bus. The same is true of the following behaviour. Office workers take the bus to work and then change to better clothes at the workplace and change back into their old clothes for the way home (unless a dinner or outing is planned). They do this not only to keep their work clothes good, but also because it would mean loss of face to travel by public transport in good and expensive-looking clothing. Many visitors to the malls demonstrate a similar kind of behaviour, especially the younger among them, when they change clothes upon arrival at the mall. At the mall they often wear clothes borrowed from friends or jointly purchased with friends. Before leaving the mall, they change back into their everyday clothing. The fact that mall clothing is shared, is reminiscent of Indonesian neighbourhood helping ("gotong-royong") (Koentjaraningrat 1967: 394), i.e. clothes are borrowed from family, friends and colleagues in order to go to the malls. Often people purchase an item of clothing together in order to lend it out to others depending on who needs a specific T-Shirt, for example, at a specific time. This status oriented behavioural pattern appears to be grotesque or unauthentic to the foreign observer since clothing does not necessarily reflect the biographical or financial background of the buyer in Indonesia. One has to ask oneself why specific branded goods are so important that they must be bought even they have to save on food or rent to buy them. The answer to this question is Indonesian's extreme ascribed status orientation which was reported over and over in interviews.

The interview setting for this work was especially tailored to take account of this intense status consciousness. Interviewees were received at rented conference rooms in business centres at leading hotels. This was to show them respect and acknowledge their social status. Palmier (2004: 153) explains why this is so important in Indonesia: "To show respect for status is to assist the person so distinguished to fulfil the expectations the society has of him or her."

The orientation and promotional activities

Generally in the context of this orientation, the fundamental question companies should ask themselves is whether customers want to own functional products that achieve a utilitarian purpose or whether they prefer to buy status. It was clear from interviews the extent to which some companies advertise their products country specifically and at the same time unwittingly translate status orientation ("doing" versus "being") into advertising (DM, interview December 2004). Achievement-orientated cultures market their products and services on the basis of their performance. In ascribed-status cultures, such as those generally found in Southeast Asian countries, status is ascribed to products that naturally evoke admiration from others and are symbolic representations of status. This status is less concerned with the functional capabilities of the product. If status is linked to "being" of the status orientation, the products and brands should be positioned so that their attributes are seen as prestigious. In achievement oriented cultures, the emphasis is on performance, reliability and functionality. This is especially apparent in promotions (another of the 4Ps) and campaigns designed for different target markets. The BMW campaigns can be taken as an example here. In Indonesia (which is a strongly ascribed status oriented country), BMW campaigns reflect this being orientation. In Singapore, which is much more achievement oriented, BMW advertisements have a much more technical feel. Cars are advertised in such a way that if one purchases a BMW, one's hard work seems to be rewarded. This kind of performance oriented advertising, however, would not be broadcast in Indonesia since it would be unsuccessful there (BR, interview November 2004).

Figure C-43 BMW ads in Singapore (1)

BMW's ads in Singapore clearly reflect a "doing orientation"

Tag line: "For all the late nights, for all the missed occasions, for the all hard work …"

Figure C-44 BMW ads in Singapore (2)

BMW's ads in Singapore clearly reflect a "doing orientation"

Emphasis on: "dynamics"

Figure C-45 BMW ads in Indonesia

The same goes for the luxury watch sector. In Indonesia, luxury watches are purchased more than anything else to express status and this is reflected in adverts broadcast there. In other countries (for example Germany which is regarded as scoring in a similarly achievement oriented fashion), watches are more likely to be advertised as a reward. Similarly, de Beers' advertising in Japan shows women who should treat themselves to a diamond as a present. Japan, too, is achievement oriented. Due to ascribed status, products with logos seem to sell well in Indonesia.

Figure C-46 Wempe advertising campaign clearly reflects a "doing orientation"

Wempe in Germany, advertises with a clear "doing orientation"

Rewarding oneself for one's performance

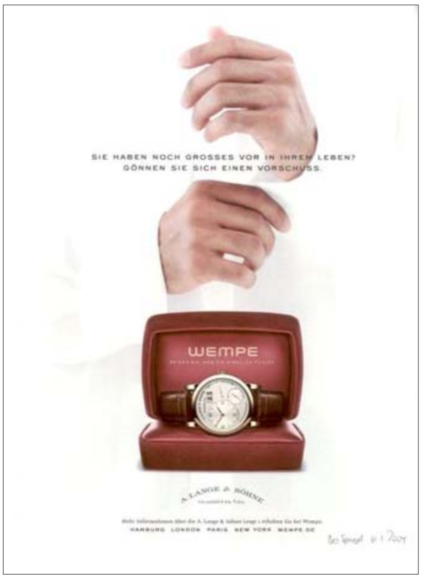


Figure C-47 DeBeers new "A diamond forever" campaign reflecting a "doing approach"

The diamond: in achievement oriented societies the diamond is increasingly promoted as a way to reward oneself (right hand ring) as opposed to the symbol of love (left hand ring)

Tag line: " Your left hand plans ahead, your right hand plans for anything. Your left hand gets it done. Your right hand shows the world how it's really done. Women of the world, raise your right hand."

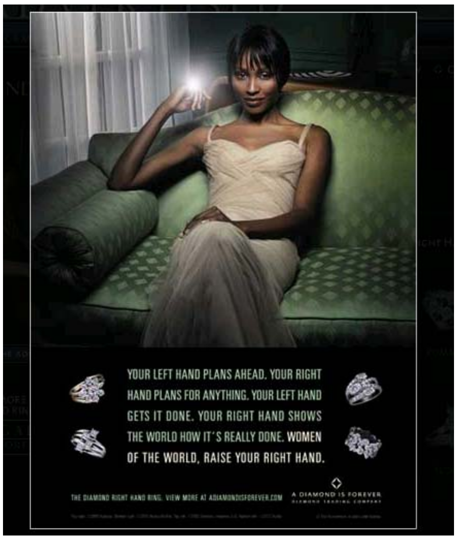
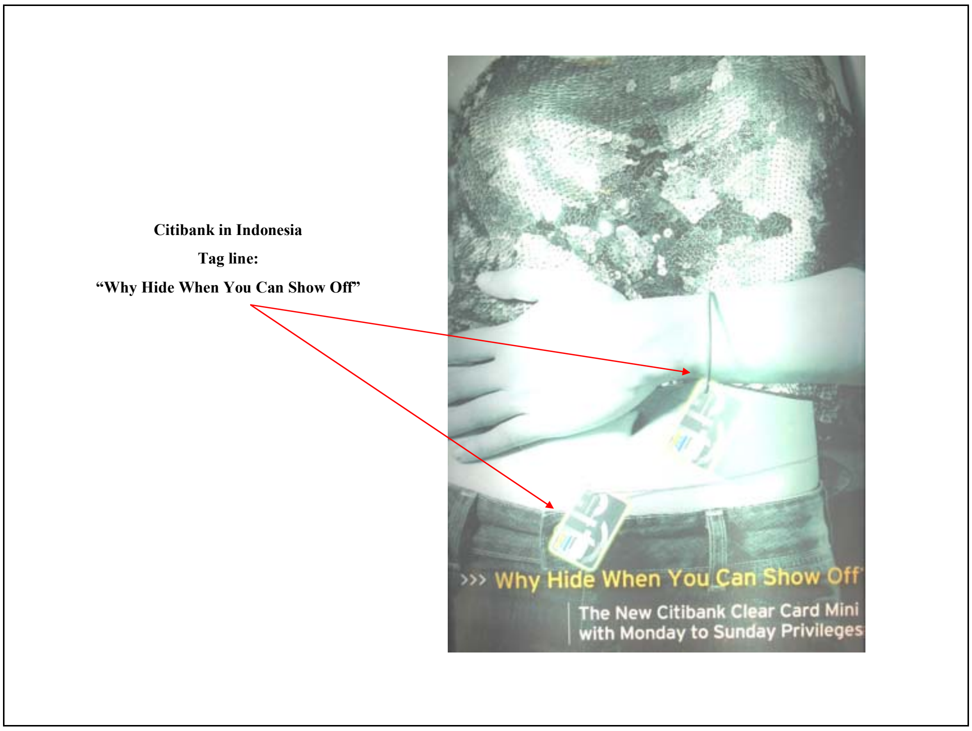


Figure C-48 The status orientation in Indonesia



Experience shows that brands like Giorgio Armani which are difficult to identify, sell poorly among the logo-loving Indonesian elite. Logos are a way of setting yourself apart from others and appear to be so valuable that the fake goods available in Indonesia often flaunt logos from more than one company. Indonesian consumers' logo-mania leads to insiders labelling Indonesian consumers as unsophisticated. They are merely interested in logos and status and not in individuality. Expensive sounding brands and logos create prestige, with European sounding names often being used to name condominium and shopping complexes and boutiques. Palmier's argument that "…in Java names have long been important social indicators" (Palmier 2004: 119-120) is true in the world of goods, too. The resourcefulness with which Indonesian businessmen and women name their shops and goods is incredible. But they all have one thing in common. They sound outlandish and conjure up the impression of exclusivity and luxury. Many shops not only in the fashion business, but also patisseries, restaurants and clubs give themselves exotic foreign, often English, French or Spanish sounding names; most recently even Arabic sounding names are being used. In connection with product and brand names, attention should be drawn to the differing brand awareness in the luxury goods branch (as explained in the power orientation paragraph). In Indonesia, products in this sector only sell if the brand name and brand logo are clearly visible. Less ostentatious brands are only successful to a limited extent. This is why Prada in Indonesia mostly sells shoes from its sports range which is easily identifiable because of its red stripe (HaS, interview December 2004). They do not, however, sell shoes from their main range which is only recognizable as a status symbol to those in the know.

Figure C-49 Foreign names evoke status in all fields of business

Foreign sounding names to create the feeling of status in the real estate sector in Indonesia

It would be interesting in this context to carry out an investigation comparing status orientation scores and turn-over of individual luxury brands in selected countries. In ascribed status oriented countries, sales of those brands which have big logos would possibly be higher than in achievement oriented societies where quality is the main factor in purchasing. Price (one of the 4Ps) has a different significance as a buying criterion in an achievement oriented culture than in an ascribed oriented society. In the former, price is often a synonym for quality (high price equals high quality). In ascribed status societies, price is more of a synonym for status. This means that a high price endows the product with prestige which as a result rubs off on the consumer. In the framework of price determination SL added the following: “Price is an important buying criterion for certain products” (SL, interview September 2004).

Interestingly, status is not only ascribed to people, but also to buildings and locations. There is scarcely a residential complex without a foreign sounding name. The concept of country of origin is closely linked to this, too. This means that for ascribed status societies this purchasing argument is important, providing the products are from a prestigious country of origin. In Indonesia, products from Europe, the United States and Japan rank highly; at the lower end of the scale, China ranks after Indonesia’s own products. This idea leads to the last of the 4Ps -place. By this (as already explained in the chapter on international marketing) the environment in which the products are presented, from distribution channels to the individual outlet, is meant. Here it is important to find a place which matches the product image. This is difficult in Indonesia (especially when one leaves the cities) where approximately 75 percent of total outlets are traditional. Notwithstanding, Indonesians are very resourceful when it comes to decorating their traditional outlets. Painted scarves, company flags and pennants doll off their point of sales (POS). By doing so, they aim to crate an ambiance which reflects the product or brand images of goods sold.

Figure C-50 Examples of traditional retailing in Indonesia and presentation of products

Traditional Retailing

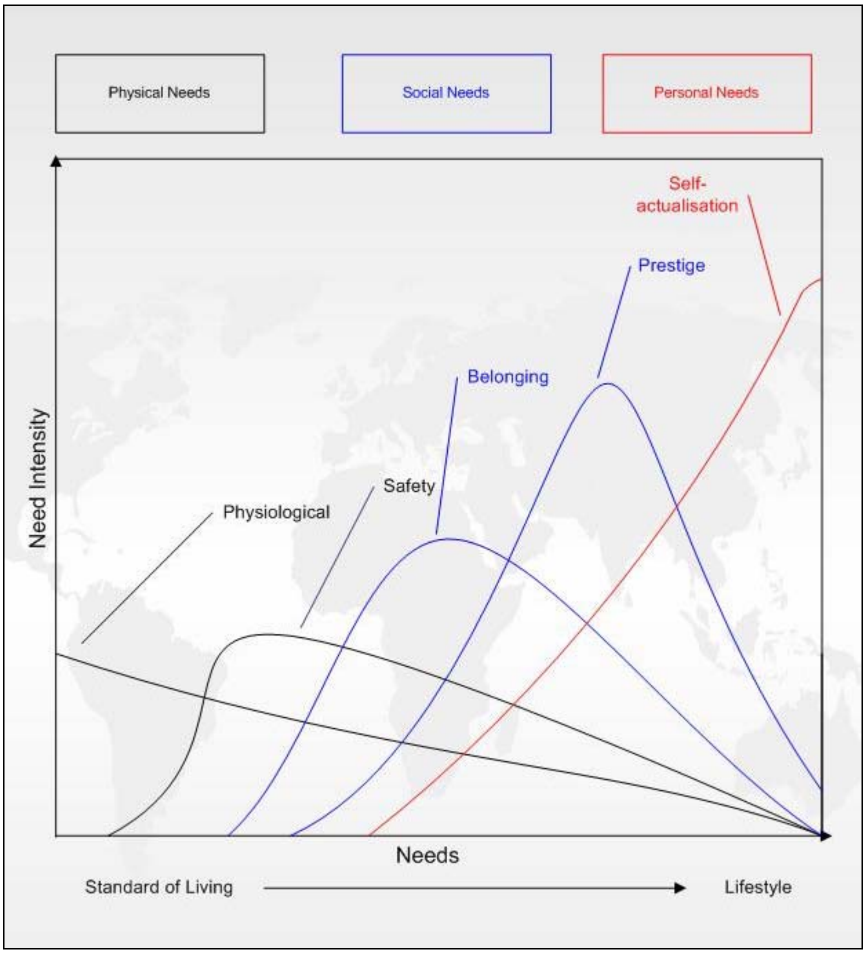
The orientation's impact on concepts used in consumer behaviour and marketing

In order to understand consumer behaviour, it is generally believed that one must understand the motivating forces driving consumption decisions. In other words, one needs to know what needs consumers are seeking to meet and why they choose to meet them in the way they do (Schütte and Ciarlante 1998: 90). In the context of this orientation it is necessary to reveal whether needs, motivations and means of fulfilment differ from those of Western consumers and what the cultural reasons for this are.

The most popular and well-known approach to human motivation is based on the research of psychologist Abraham Maslow (1997, 2002). Maslow's needs hierarchy specifies that needs are arranged in a sequence from lower-level to higher-level (see following figure). Each level of the hierarchy specifies a certain type of need. Maslow identifies five needs: (1) psychological (the biological needs for food water and sleep), (2) safety and security (the need for shelter, protection, and security), (3) social needs (the need for affection, friendship and acceptance), (4) ego needs (the needs for prestige, success, accomplishment, and self-esteem) and (5) the need for self-actualization (self-fulfilment and enriching experiences). Lower-level needs (starting with the physiological) are considered to dominate higher-level needs, i.e. consumers must satisfy low-level needs before they begin to pursue higher-order needs. According to Maslow, the highest level of need is related to self-realization (self-actualization).

Consumers desire to live up to their full potential. They want to maximize the use of their skills and abilities. This need for self-realization only becomes activated if all four of the lower-level needs have already been satisfied. These five basic levels of human need rank in order of importance from lower-level (biogenic needs) to higher-level (psychogenic needs). The individual's lowest-level need which is unsatisfied serves to motivate the individual's behaviour. Once satisfaction of that need is achieved, a new and higher need emerges that the individual is motivated to fulfil. Upon satisfaction of that need, a still higher need will emerge, again motivating the consumer to fulfil it.

Figure C-51 Maslow's Hierarchy of Needs (1)



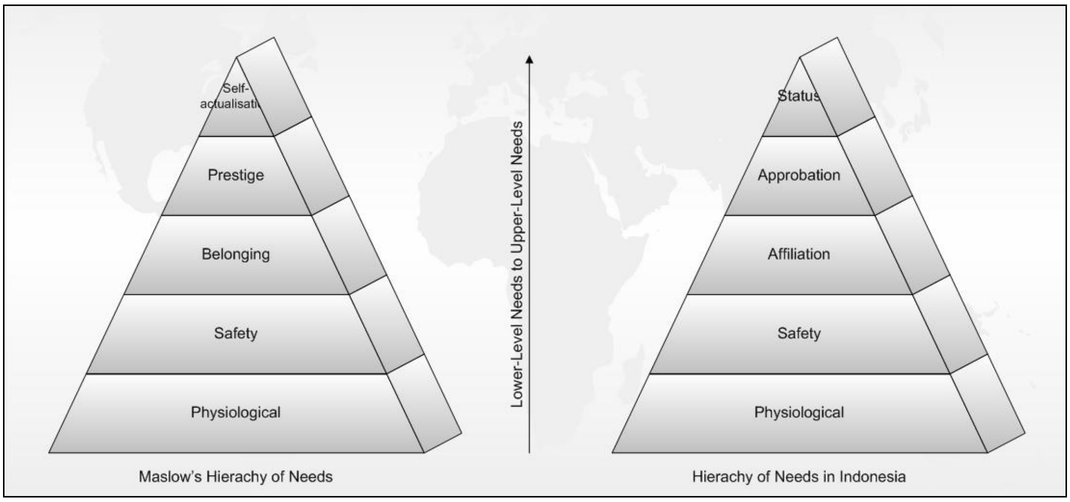
Maslow's hierarchy provides useful organization for thinking about needs and motives. However, the hierarchy ignores the intensity of needs. The avid consumption of luxuries in poor transitional economies illustrates aspects of oversimplification. For example, Indonesian families forgo needed food in order to afford a television or a refrigerator that then remains empty. This might seem to be an extreme example, but examples such as this really do exist. It seems that sometimes higher-level needs win over basic needs. Even in ancient cultures in which people often struggled to meet basic needs, one can see evidence of human tendencies to make art and assemble collections.

Maslow's needs hierarchy provides a useful summary or inventory of human requirements that can be useful for marketing managers interested in understanding their customers' necessities. However, they should be cautious in assuming that a hierarchy of needs holds. The theory assumes some overlap between each level as no need is ever completely satisfied. While all the needs below those which remain unsatisfied continuously motivate behaviour to some extent, it is the lowest level of unsatisfied need that serves as the dominating motivating force of an individual's behaviour. Thus the theory asserts that dissatisfaction is a stronger motivation than satisfaction.

While Maslow's theory is agreed to be broadly applicable across many social disciplines, his needs hierarchy seems particularly suited to western culture, specifically American culture (Schütte and Ciarlante 1998: 92), although Maslow himself dismissed the question of intercultural transposability by arguing: "…societies are much more alike than we would think…" (Schütte and Ciarlante 1998: 92). Kindel, on the contrary, asserts that Maslow's needs hierarchy is inappropriate for the Chinese, particularly at its stages of self-realization. In addition, Maslow's ordering of needs may not be consistent across cultures. Research supports somewhat different hierarchies in the East (HS, lecture October 2004). Some cultures certainly put more value on social needs and belonging (as presented in the social orientation) and less on ego needs and self-realization. Different cultures have varying conceptions of the self that are likely to influence whether they value self-fulfilment or collective fulfilment. The presentation of this concept to them led to unanimous agreement on the part of the interview partners.

In the case of the Asian consumers, not only are modifications to Maslow's ranking of needs required, but also the definition of and even existence of such needs must be questioned (JK, lecture October 2004). Since Southeast Asians, like everyone else, must be fed and protected in order to survive, changes are not required as far as physical needs are concerned. However, it is debatable whether self-realization as a personally directed need actually exists for the Asian consumer. Instead, it may be a socially directed need reflecting the desire to enhance an individual's image and position through contributions to society. Among the collectivistic cultures of Southeast Asia (social orientation), the idea that personal needs are the highest level of need would neither be readily accepted nor regarded positively by others. To compare Maslow's hierarchy of needs with the one suggested as being relevant for Indonesian consumers, refer to the next figure at the end of this paragraph. Indeed, the emphasis on achieving independence, autonomy and freedom (characteristic of the individualistic value system of Western cultures) is visibly absent form Asian cultures, according to Schütte and Ciarlante (1998: 92). In the Asian context, socially directed needs are considered to be those of the highest level. Rather than redefining Maslow's self-actualization need as a socially directed self-fulfilment need, Schütte and Ciarlante hypothesize that personal needs in Southeast Asia tend to be subordinated to social needs. As a consequence, the highest level of satisfaction is not derived from the actions directed at the self but from the reactions of others to the individual. Therefore, a more accurate hierarchy of needs in the Southeast Asian context is one which eliminates the personally directed self-actualization need and instead emphasizes the intricacies and importance of social needs. What Maslow has identified as social needs of belonging and prestige can, according to HS, (lectures October 2004) in fact, be broken down into three levels: (1) affiliation, (2) approbation, and (3) status.

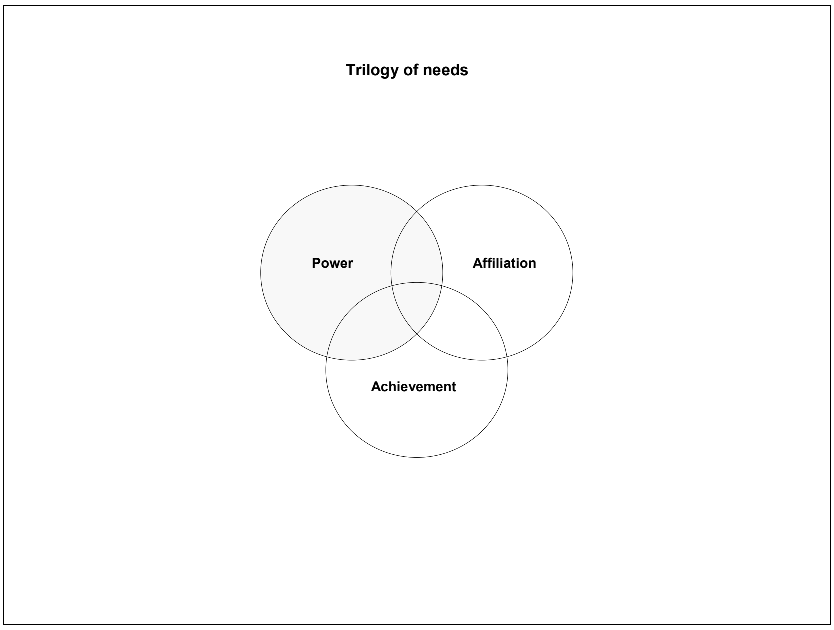
Figure C-52 Maslow's Hierarchy of Needs (2) (adapted from HS, lecture October 2004)



Affiliation is the acceptance of an individual as a member of a group. In the family, this acceptance is automatic, but in most other groups certain qualifications must be met in order to gain membership. In terms of consumer behaviour, the affiliation need will encourage conformity to group norms. Once affiliation has been attained, the individual will desire the approbation of those in his group. This is a higher level need and requires effort, as approbation must typically be earned through acts that demand the respect of others. Once the individual feels sufficiently approbated within his group, he/she will desire the status that comes from the esteem of society at large. Fulfilment of this level of need requires the regard of outsiders, whereas fulfilment of the approbiation need is on a more intimate level. This status level of needs most closely resembles Maslow’s prestige need and manifests itself in highly visible conspicuous consumption.

Schütte and Ciarlante (1998: 94-97) present other attempts which are believed to complement the idea of human needs and their impact on behaviour in the context of Maslow. One of the theories presented, groups together three human needs with the most significant ramifications for consumer behaviour as a “trilogy of needs”. These are the needs for power, affiliation and achievement.

Figure C-53 Trilogy of needs



These can be related to Maslow's needs hierarchy and go even further in delineating the contrasts between Western and Asian consumers in terms of the nature and importance of each need and the type of consumer behaviour each one inspires. Schütte and Ciarlante (1998: 94) find that while these needs can often be personally directed in the case of the Westerner, among Asians these needs are far more often socially directed. The need for power refers to an individual's need for control. This control can be directed towards the individual's environment as well as towards other persons or objects. When an individual feels that controlling other people or things increases his status in their eyes, the individual experiences increased self-esteem as a result. This need for power is personally directed and is related to the individual's need for self-esteem. In the Asian hierarchy of needs, the need for power would relate to the status need when the individual feels that greater power brings with it greater esteem from others. The collectivistic Asian consumer, according to Schütte and Ciarlante (1998: 98), however, "…is typically more satisfied to remain a part of the group rather than to control it, and the personally directed motivation the Western consumer experiences is therefore relatively absent in the Asian context. However, in Indonesia, people feel a great need for power over others. Historically power over people (prestige increases with the number of subjects) in Southeast Asia was considered more valuable than power over land. Land was plentiful, people, however, compared to area of land, were relatively scarce. The need for affiliation is very similar to Maslow's social need and therefore ranks as extremely important in motivating consumer behaviour among individuals with a high dependence on the acceptance and approval of others. As Schütte and Ciarlante (1997) reveal with their hierarchy model of needs, the affiliation need is of particular importance in collectivistic cultures and may therefore be a greater motivator than in the Western context. People with high affiliation needs often select goods that they feel are in accordance with group norms and will thus meet with the approval of their group. In the western context, this need pertains to products and services that are consumed in groups and alleviate feelings of loneliness, such as team sports, coffee bars and shopping malls. In the Western context, the achievement need is related to both the socially directed prestige need and the personally directed self-realization need. People with a need for achievement tend to be more self-confident, enjoy taking calculated risks, actively research their environments and are very interested in feedback. Products and services that signify success are particularly appealing as they provide feedback about the realization of their goals. In the Western context, products associated with the need for achievement include cigarettes, candy, alcohol, ice cream and cookies because they serve as rewards for achievement. For the Asian consumer, "…achievement is a primary means of satisfying the social need for admiration from the peer group as well as status from society at large" (Schütte and Ciarlante 1998: 96). The self-satisfaction that achievement brings to the Asian consumer is derived not from providing a means of setting oneself apart from or above the groups, but from the social rewards in terms of status and the acceptance it brings.

In other words, achievement in the Asian context is very much a socially directed need in contrast to the personally directed self-realization needs of Western consumers. The figure illustrates the different weighting of needs between Western and Asian consumers. For the Western consumer, the individualistic needs of achievement and power are more prevalent and motivating than is the need for affiliation. In the collectivistic Asian cultural context, social needs (affiliation, admiration and status) are far more motivating than the need for individualized self-fulfilment in the form of achievement and power. This might be right, but the need for power over people certainly exists in Indonesian society. The needs for power and achievement are most motivating to the Asian consumer when they are socially directed, thus being subsumed by the affiliation need. Hence, for the Asian consumer, it is the "social self" that motivates. The "private self" is sublimated to concern over the effects of one's actions and behaviour on others. It is therefore more important to monitor the motivations of the social than the private self. Motivational research techniques designed to reveal hidden motives may provide interesting detail, but the outward, social self is the active participant in consumption choices. Since the social self is far easier for the marketer to measure and respond to than the private self, it may be relatively easy to predict responses of Asian consumers to product-offering and promotional activities (Schütte and Ciarlante 1998: 97).

To sum up, the considerable significance of this orientation in connection with Indonesian cultural and consumer behaviour must be highlighted. Strong status orientation is reinforced through the power orientation, which will be explained in the course of this chapter. Since both orientations can be considered to be the most important in terms of affecting certain consumer behaviour patterns, both will be dealt with again in the summary and discussion of the model and results for Indonesia.

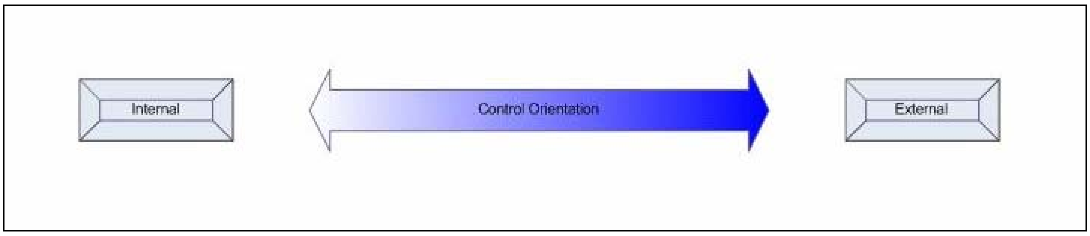
C.2.6 Control Orientation

C.2.6.1 Definition

The "control orientation" has been adapted from Trompenaars' and Woolliams' "internal versus external control value dimension" who describe this dimension as "the dilemma between internal versus external control" (Trompenaars and Woolliams 2004: 107). This dichotomy is also known as "internal locus of control versus external locus of control" (Trompenaars and Hampden-Turner 1997: 141; ibid: 107). The dimension concerns an existential matter of life which affects all human beings, i.e. the meaning people assign to their natural environment. The dimension enquires whether a culture tries to control and dominate nature or submit to it. Societies have developed two major orientations towards nature; either that one can and should control nature by imposing one's will upon it, as in the ancient biblical injunction "multiple and subdue the earth"; or that man is part of nature and must go along with its laws, directions and forces (Trompenaars and Hampden-Turner 1997: 141). The orientation therefore reflects the idea of an inner-directed versus an outer-directed worldview. One can see considerable variations in this external versus internal control dimension between countries (ibid: 143-144).

A divide between countries is reflected in Trompenaars' and Hampden-Turner's ranking of the dimension where predominantly Muslim countries and Hindu India score as externally controlled. It seems that people in Muslim countries and Asian countries in general, are less likely to believe in internal control than people residing in Europe or North America. In the latter two, a strict separation between religious beliefs and science has been drawn, as well as a separation between church and state. The foundations of this behaviour will be explained in the next section. Indonesia's score exemplifies a society principally believing in external control of the world (Boucher-Floor, THT consulting, email August 2005). Indeed, there is much evidence to indicate that Indonesian society is heavily influenced by religious and cultural influences which are the reason for the country's score as a society where people believe in being outer-directed (externally controlled).

Figure C-54 Indonesia scoring rather externally controlled



C.2.6.2 The orientation's cultural foundations

In the course of human existence, there has been a shift from a preponderant fear that nature would overwhelm human existence, to the idea that nature can be controlled. This transformation is closely linked to the rationalization of the world, i.e. that the truth should be determined by reason and factual analysis, rather than faith, dogma or religious teaching (Kopper 1979: 1-39). Before the fifteenth century in Europe, nature was seen as an organism. People believed that nature and the environment determined what human beings needed to do, and that nature controlled them, rather than the reverse. With the Renaissance, this organic view became mechanistic and the idea that nature could be controlled, developed (Debus 1978: 1-15; Gerl 1989: 19-40). Thus religion was replaced by a civic order, culminating in the secular viewpoints expressed in the French Revolution (for example laicism). The 18th century also saw a continued rise of empirical philosophical ideas, and their application to political economy, government and sciences such as physics, chemistry and biology. The idea of uniform laws for natural phenomena mirrored the greater systematization in a variety of studies. The Enlightenment's intellectual heritage is reflected in the view that it was the point where Europe broke through what historian Peter Gay (1966) calls "the sacred circle", where previous dogma circumscribed thinking. The Age of Enlightenment, as is generally believed today, facilitated the beginning of a human-centric (internally controlled) versus a God-centric (externally controlled) worldview with major implications for humankind and the organization of life (Trinkhaus 1999: XVI., 667-684). However, the Age of Enlightenment - a western cultural heritage - influenced primarily the cultures out of which it originated, and in other parts of the world had too minor an influence on people's life worlds to rationalize the organic view that nature dominates individuals and directs actions. People's focus in these cultures tends to be on the environment rather than on themselves. This has been described as external control and has major implications on peoples' world outlook, self-assessment and self-development. Those people who have a mechanistic view of nature have, in addition to the belief that man can dominate the environment, a tendency to take themselves as the point of departure for determining any course of action. This is known as internal control.

Fatalism is often closely connected to outer control orientations as religion exerts influence on people's life worlds, particularly in regions where people are predominantly believers of religions which were not de-mystified by the innovation of the Age of Enlightenment. Fatalism is a belief that directly influences action, not necessarily in terms of acting less, but rather in terms of acting differently. It clearly posits the locus of control as being outside, in the metaphysical environment. There are huge differences in how religious beliefs influence this orientation. Where, for example Christianity fundamentally differs from Islam, is in the assumption that God would ask human beings to accept their destiny as it comes (Usunier and Lee 2005: 66). The Christian creed separates the worldly from the heavenly sphere more strictly, as mentioned elsewhere. Furthermore, there is a less personal and direct relationship to God than in Islam, since, at least in Catholicism, it is largely mediated by the Church. This frees the tendencies towards mastery over nature, since God gives mankind leeway in relation to worldly enterprises. In Christian religions, the way is cleared for proactive attitudes. In Islam, omniscience is, as generally in monotheistic religions, typically attributed to God. Thus, it is not primarily the presence of omniscience which exists traditionally in theology, but the degree of emphasis placed on the capacity to know everything across religions. In religions such as Islam, Hinduism and Buddhism (Weber 2005; Schluchter 1984) where this emphasis is strong, people see themselves as externally controlled (Trompenaars and Hampden-Turner 1997: 144) with major implications on cultural behaviour.

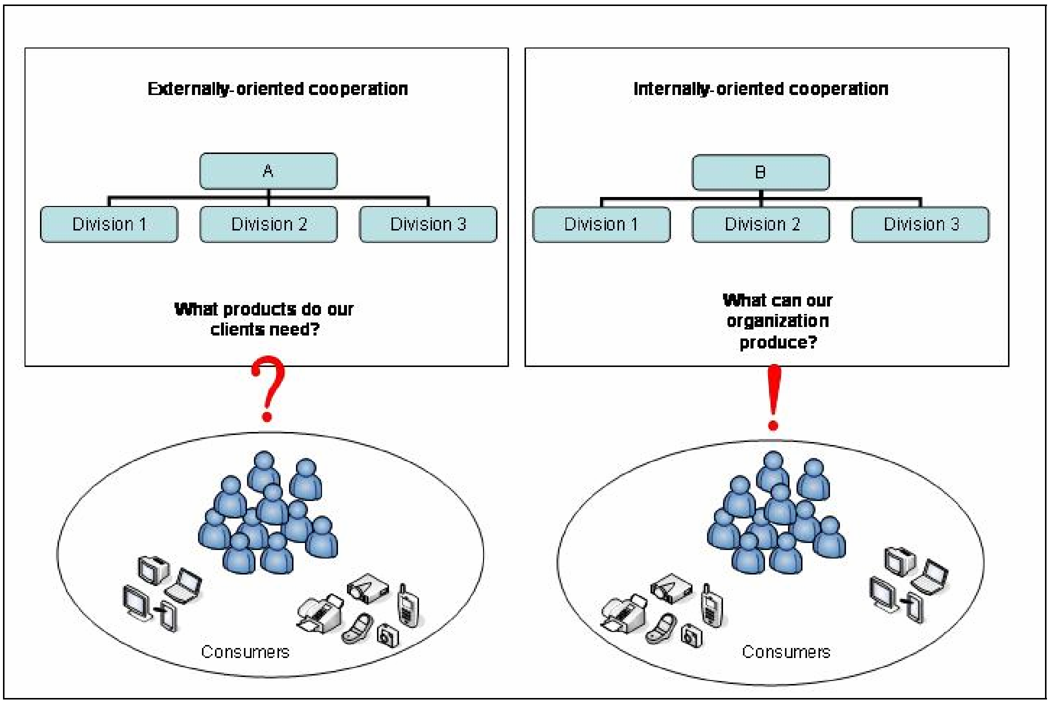
As mentioned elsewhere, Indonesia’s society is culturally influenced by the religions and traditions of the Indian subcontinent (Hinduism and Buddhism) and that of the Middle East (Islam) as well as indigenous customs (“adat") (Garang 1974: 10-40). The phenomenon of inter-personal relationships dominating all areas of Indonesian society is “adat”. The term “adat” originates in the Islamic-Arabic region, and describes non-coded local-traditional habits which are summed up in the expression “what is commonly known and accepted”, or “custom” among Islamic nomadic tribes (Garang 1974: 10). “Adat” is a means of social control.

Java, Indonesia’s main island, once the site of many influential kingdoms in the Southeast Asia region, is still, despite what Mulder (1994: 19) has called “santrinisasi” (continuous penetration of orthodox Islam), a strong repository of an amalgam of classic Javanese ideas exercising a powerful spell (“Javanization”) on present-day social, political and cultural spheres in Indonesia. At the heart of Javanese civilization there are, as exemplified elsewhere in this chapter, mystic and religious practices which are shaped by the idea of being in step with cosmic rhythm and destiny (ibid: 23), clearly favouring an outer-control orientation. Javanism’s underlying thinking that events are preconditioned and are manifestations of God’s omnipotence or the power of nature (“kodrat”), and the Javanese belief in the projective power of puppet plays (“wayang”) exemplify the assumption that Javanism promotes a view of an externally controlled world. Together with Hinduism, Buddhism and Islam, all chiefly propagating an externally directed world, one can conclude that Indonesian society in general scores in a rather externally controlled way. Finally, the hypothesis that Indonesian society is rather externally controlled, can be confirmed.

C.2.6.3 Implications for consumer behaviour and international marketing

The orientations’ implications mainly concern organizational and strategic companies’ matters (rather than questions arising in the field of consumer behaviour) since the orientation’s influences on individual consumers are rather inconsequential compared to its impact on strategy and organization. The reason for this is that the relationship closely analogous to man and nature, outlined in this orientation, is that of organizations and markets (Trompenaars and Hampden-Turner 1997: 148). While the belief that the environment is all-powerful in deciding the future and can lead to fatalism or resignation (American belief), it can also lead to a company view where markets and consumers are central variables of success and where direction is taken from markets (outside) and not only from the company’s research and development (R&D) department (inside) which tends to be far away from the end-consumer. It may be for this reason that some outer-directed cultures (for example Japan, Singapore and South Korea) are among the world's better economic performers with their innovative and consumer-centric companies (for example Toyota and Samsung). This gives clues as to why a product may succeed, i.e. not simply because the company wills it to, or because its special design features delight customers, but a combination of all product features. This shows how much it helps to be outer-directed, because this cultural tendency focuses on what customers want. It may succeed for reasons other than those which come from inside the organization, namely the customers' preferences.

Figure C-55 Interaction with consumers in externally- and internally-oriented companies



Unlike Indonesians and generally most Asians, Germans are inside-oriented and focus on quality (RD, interview December 2004). German companies expect to sell on this, but this can also mean losing track of competitors or managing markets with a homogenous global strategy without taking local idiosyncrasies into account. For inner-directed companies, local peculiarities deriving from culture are rather meaningless as the products and services are believed to be so superior that they can sell worldwide without adaptation. As Colenso (2000: 149-168), Howaldt, Kopp and Winther (1998: 13-19) and Imai (1997: 15-26) show, such introspectiveness can lead to many *faux-pas* in the corporate world. Therefore, it can be concluded that the main issue related to this orientation is to connect the internally controlled culture of technology push (selling what one can make) with the externally controlled world of market pull (making what one can sell). Outer-directed need not mean God-directed or fate-directed but directed by the knowledge revolution, by a joint-venture partner or the end-consumer.

To accept direction from customers, market forces or new technologies can be more advantageous than opposing these with one's own (or company's) preferences. Ideas like "scanning the environment" and "customer orientation" usually come very naturally to cultures scoring as outer-directed, as mentioned elsewhere. As shown, in a cultural environment where a lot of attention is given to outside forces, companies are very keen to find out what customers want (Colenso 2000: 113-124). Manufacturers do their best to make or develop products that fulfil customer needs. The most effective organizations are those which are better at connecting the push of technology to the pull of the market (Colenso 2000: 149-168; Howaldt, Kopp and Winther 1998: 13-19; Imai 1997: 15-26).

Another important aspect regarding this orientation is that of innovation. Asia's major inroads into Western markets have come less from products that have been invented there and more from products that were "refined". It is believed that this is possible because of Asian's outside orientation. Western contention that sees Asians as "stealing ideas" is also shaped by the West's proprietary notion about what comes from inside of us and is therefore "ours". The concept is so apparent to Southeast Asians and especially the Japanese, that they are hardly aware of it (Imai 1997: 15). Not all Southeast Asians follow the concept, but being outwardly oriented to the market is generally discernible in companies. Southeast Asians may regard western technologies as part of the environment, like fruit on a tree, which wise people pick and incorporate into themselves. Moreover concepts such as "kaizen" (refinement, improvement) have very high cultural prestige. Colenso (2000: 8) adds:

> *"It is important to recognize that kaizen is not an initiative, it is an ongoing organizational culture which, as a matter of primary focus, is dedicated to and active in, the process of improvement." (Colenso 2000: 8)*

The concept is heavily linked to environmental adaptation (Imai 1997: 19-21), while many companies in the West espouse the view that the consumer would adapt himself to their products. To take something from the external environment and then refine or improve it is not "copying" but simply making something better. For Southeast Asians, the process of refinement has very high cultural prestige and is considered as art in its own right (Howaldt, Kopp and Winther 1998: 13-17). To invent something, to be its author and originator, is associated with high status in an internally oriented culture. To refine and develop something that was invented elsewhere is less prestigious. Finally, it can be claimed that an outer-directed orientation is the starting point of this thesis' contention. This is because, without taking the importance of markets, consumers and their culture into consideration, it is impossible to have successful products as the company is then too internally-oriented. What can happen in a case such is shown in the next figure.

Figure C-56 Possible results of an inner-controlled (directed) market approach (images, courtesy of Coke)

Product flops and marketing failures: What can happen if a corporation is overly internally-oriented

Crystal Pepsi was a colorless, caffeine-free soft drink that was made by PepsiCo from 1992 to 1993 in the United States, Canada and for a short amount of time in Australia. In Europe, Crystal Pepsi was sold for a somewhat longer time. It is considered by some to be the company's equivalent of New Coke, as both were massive commercial failures.

New Coke was the unofficial name of the sweeter drink introduced in 1985 by The Coca-Cola Company. Properly speaking, it had no separate name of its own. Public reaction to the change was devastating, and the new cola quickly entered the pantheon of major marketing flops.

In general it seems that the most successful foreign companies are the ones that manage to combine the image of a foreign brand with some degree of adaptation to local circumstances and preferences (Imai 1997: 15-26). In international marketing, control orientation does not play a central role in direct communication with the consumer. It rather concerns the basic direction of the company - whether it works in a customer-centric way or if the organization itself is at the forefront. This is the reason why, in the context of this orientation, consumers and their behaviour played a lesser role. However, the case-study presented in Part D reverts to this orientation and shows how successfully some outer-oriented companies operate.

C.2.7 Time Orientation

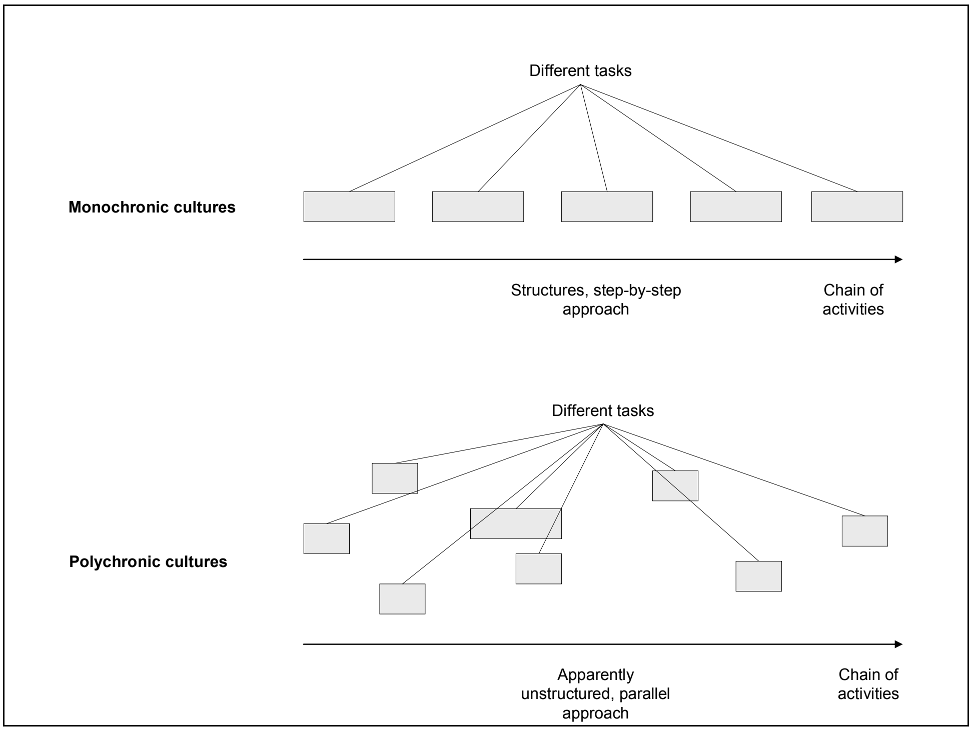
C.2.7.1 Definition

Time is more than what the clock says since different cultures have different concepts of time (owing to people's need to coordinate their activities), which introduces dilemmas arising out of the different meanings given to time (Trompenaars and Woolliams 2004: 119). Time orientation has been analyzed by Trompenaars and Hampden-Turner as well as Hofstede. Hofstede (2005: 207-240) referred to this as "long-term versus short-term orientation". For the purpose of this study it has been renamed "time orientation", since not only differences between short-term and long-term concepts, but other time concepts will be investigated in conjunction with this orientation as well. Long-term orientation is the extent to which a society exhibits a pragmatic future-oriented perspective rather than a conventional historic or short-term point of view. Values included in long-term orientation are perseverance, ordering relationships by status and observing this order, thrift, and having a sense of shame. The opposite is short-term orientation, which includes personal steadiness and stability, respect for tradition and reciprocation of greetings, favours and gifts. Focus is on the pursuit of happiness rather than on the pursuit of peace of mind (Hofstede 2005: 210). The combination of long-term orientation and collectivism results in family ties, long-term thinking and other elements of Confucian philosophy such as filial piety and paternalism (Bond 1986: 214-216).

Hofstede's and Trompenaars' studies, based on the dimensions of past, present and future time orientations, were found to be important in the Chinese Value Survey (CVS), which was developed by Michael H. Bond and Peter B. Smith (1993) to measure values suggested by Chinese scholars. Both employ this concept for their own research and extend the study in a non-Chinese cultural environment. The purpose was to introduce a deliberate Eastern bias into value surveys that had historically been developed by Western scholars. This new instrument was tested on students in 22 countries (Bond and Smith 1993: 149-150). It revealed a dimension they termed "Confucian Work Dynamism", which corresponds to a future-orientation on the one hand and a post- and present-orientation on the other (Bond and Smith 1993: 149-150, 186). East Asian countries scored highest, followed by Western countries. Key differences between short- and long-term orientations are thrift, being sparing with resources, respect for circumstances and the willingness to subordinate oneself for a purpose (Bond and Smith 1993: 149-150). At the short-term orientation pole, personal steadiness and stability, if overstressed, discourage the initiative, risk seeking, and changeability required of entrepreneurs in quickly changing markets. Other key differences are main work values including learning, honesty, adaptability, accountability and self-discipline. Leisure time is not important. Large savings are connected to funds available for investment - most of which is in real estate (AS, interview November 2004; HS, interview December 2004; IK, interview August 2004). Something that is often perceived as paradoxical in the measurements on this index is the combination of strong respect for tradition and short-term orientation in a large part of the Western world, whereas respect for old age and ancestor worship are such strong elements of Asian value systems. This reflects the desirable versus the desired: tradition is important, but it is innovativeness that is desired. Particularly in China, pragmatism tends to overrule respect for tradition. Besides Trompenaars' and Hampden-Turner's derived Chinese Value System, there are further theories which should be named at the juncture of this orientation.

Hall's (1989) important study of time as an expression of culture provides an explanation of the difference in behaviour and language. One distinction by Hall of how people handle time is between monochronic (M-time) and polychronic (P-time) cultures (Hall and Hall 1989: 13-31). People from monochronic cultures tend to do one thing at a time; they are organized and methodical, and their workdays are structured to allow them to complete one task after another (Hall and Hall 1989: 13-14). Polychronic people, on the other hand, tend to do many things simultaneously. Their workday is not a chain of isolated, successive blocks; time is more like a vast, never-ending ocean extending in every direction (Hall and Hall 1989: 16-17). Germans adhere to the more rigid and compartmentalized way of dealing with time. To people who do many things at the same time, however, such as the Indonesians, Arabs or Pakistanis, punctuality is nice, but by no means an absolute necessity. In monochronic cultures, time spent on the Internet takes time from other activities, such as TV viewing. In polychronic cultures, people do both at the same time. Not all cultures are the same, however. In Japan, tight M-time is for business, and P-time is for private life (de Mooij 2005: 58), and work ethics are adapted to suit the circumstances. The figure below highlights this time concept.

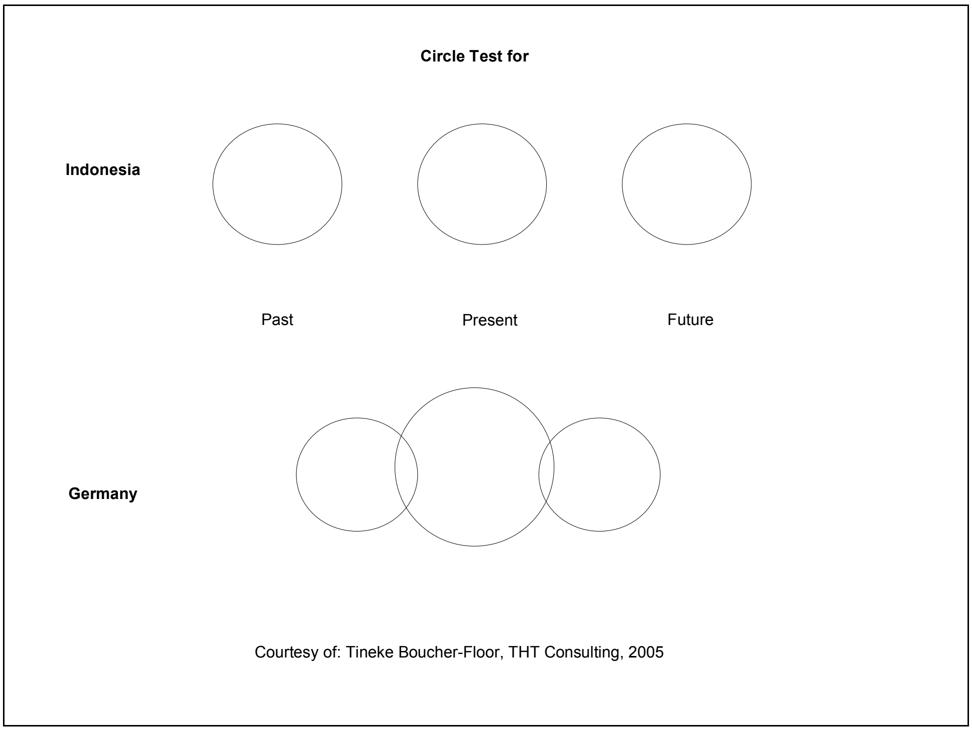
Figure C-57 M-time versus P-time cultures and timing



Besides Hall's analysis of language and time, one can distinguish between cultures and their orientation toward the past, present and future. Hall (1989: 17) identified three types of culture: present-oriented, which is relatively timeless, tradition-less and ignores the future; past-oriented, mainly concerned with maintaining and restoring traditions in the present; and future-oriented, envisaging a more desirable future and setting out to realize it. It is chiefly people who fall into the latter category who experience economic or social development (Trompenaars and Hampden-Turner 1997: 121). North Americans tend to be future-oriented; the future is a guide to present action, although the time horizon is short-term (Hall and Hall 1989: 17). The old is easily discarded and the new embraced. Most things are disposable, from ideas, trends, and management fads to marriage partners. Even the "old" is treated as new. Many Europeans are past-oriented; they believe in preserving history and continuing past traditions. Japan has a very long-term future time horizon, as has China, but they look to the past for inspiration (Hall 1989: 17). Furthermore, in societies undergoing a rapid process of economic change, past orientation is often temporarily played down (Usunier and Lee 2005: 27). This behaviour is often described as belief in the future, a phrase which is intended to express which great hope believers in the future associate with their future.

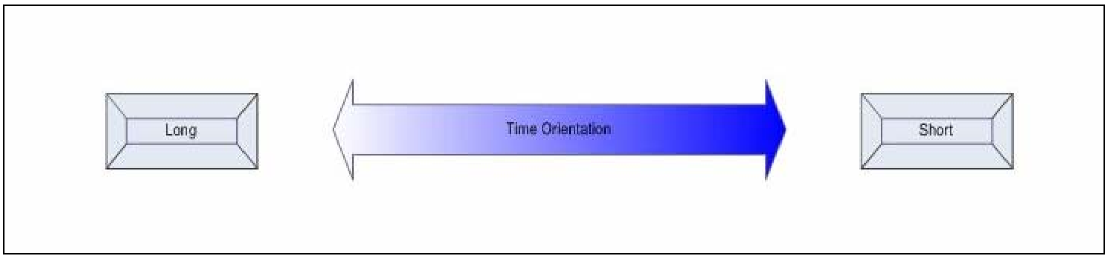
Another methodology used by Trompenaars and Hampden-Turner (1997: 125-127) to measure time interculturally is set out by Tom Cottle, who created the “Circle Test”. People are asked to think of past, present and future as being circled and asked to draw and arrange these circles in any way that shows how one feels about the relationship to the past, present and future. Four possible configurations were found. First, he found absence of zone relatedness. There is no connection between past, present or future, though in their view the future is much more important than the present and than the past. The second configuration was temporal integration; the third was partial overlap of zones and the fourth had zones touching but not overlapping, hence not sharing common regions of time (Trompenaars and Hampden-Turner 1997: 126). The figure below illustrates the results of the investigation into this concept schematically.

Figure C-58 Time zones and their relatedness



China is characterized by absence of zone relatedness, whereas Malaysia shows an orientation where all three aspects overlap, usually where the future is bigger and more important but where the past touches not only the future but overlaps it. All three aspects are important. The circle test measures how different cultures assign different meanings to past, present and future. Trompenaars and Hampden-Turner (1997: 126) extended the test to include short- and long-term horizon. Most Asian countries except the Philippines and Pakistan, which are very short-term-oriented are in the higher long-term orientation range. The Philippines and Pakistan are very-short term oriented (Hofstede and Hofstede 2005: 211) Unfortunately, there are no exact figures for Indonesia. However, Islamic countries are considered to be short-term oriented (Hofstede and Hofstede 2005: 234). The tables presented by Hofstede contain data from only two entirely Muslim countries and Islam by itself does not stand for a short-term orientation, but the strength of its fundamentalism does. This fact renders categorizing Indonesia difficult, even if advertising placed there strongly implies short-term-orientation due to its emphasis on the here and now. This was also confirmed by Tineke Boucher-Floor of THT Consulting (email, August 2005) who characterizes Indonesia as shown in the previous figure (figure: time zones and their relatedness). Yet, the most important aspect of the time orientation is whether a society is short- or long-term oriented. Indonesia scores as short-term oriented as the following figure demonstrates.

Figure C-59 Indonesia scoring rather short-term oriented



C.2.7.2 The orientation's cultural foundations

As Gurevitch states (1976: 229): "Time occupies a prominent place in the 'model of the world' characterizing a given culture". People's relationship to time changes with respect to periods of history and levels of human development, the technology available for measuring time, the emphasis given to natural and social rhythms, and the prevailing metaphysical views. This means that each perception of time corresponds to a vision of the real world, its origin and destiny (world perception). Time appears predominately therefore through this social function, in that it allows people to have a common framework of activities and helps to synchronize individual human behaviour. Encyclopedic approaches to the concept of time (Attali 1982) show that one time pattern has never eliminated a previous one. Each new time pattern superimposes itself on the one that previously prevailed. As a consequence, individual time perceptions may result from adding or mixing different basic patterns of time. Most of the literature in cultural anthropology considers time perceptions as cultural artifacts.

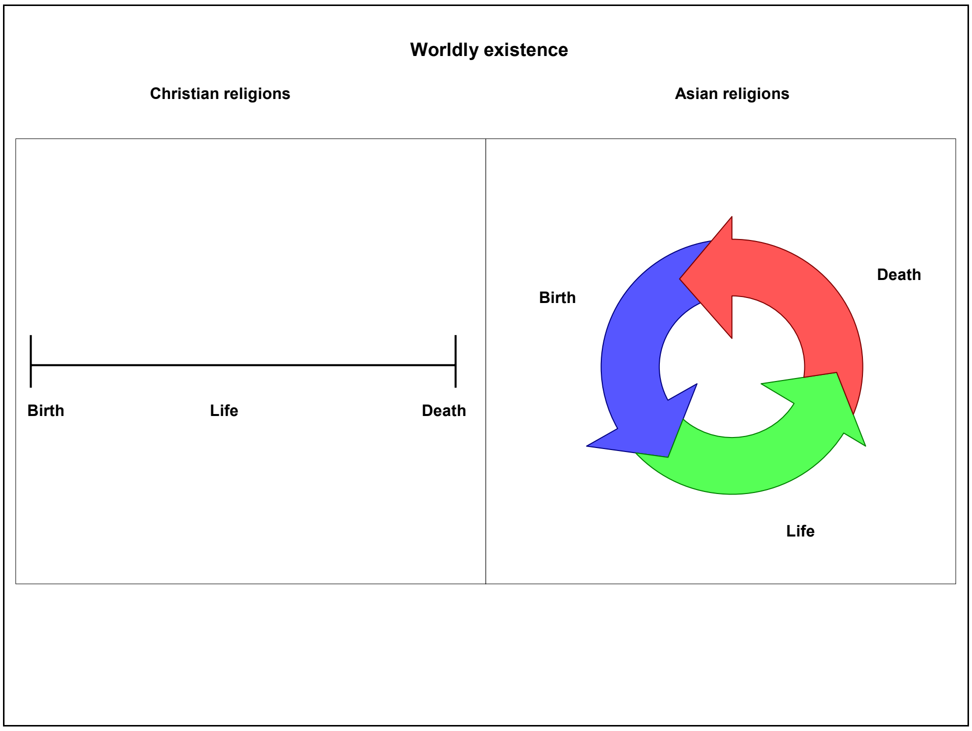
The orientation and religion

In conjunction with the time orientation, the culture element "religion" plays an important role in pushing people towards a present orientation, if it emphasizes that only God decides the future. In terms of temporal orientations, the Arabic-Muslim character has been described as fatalistic and short-term oriented. As stated by Harris and Moran (1987: 474):

> *"Who controls time? A Western belief is that one controls his own time. Arabs believe that their time is controlled, to a certain extent, by an outside force – namely Allah – therefore the Arabs become more fatalistic in their view of time… Most Arabs are not clock watchers, nor are they planners of time." (Harris and Moran 1987: 474)*

In contrast, future orientation is naturally related to the view that people can master nature, and think the future can in some way be predicted or at least significantly influenced. In societies where future orientation is strong, it is backed by the educational system and by an "imagination of the future" supported by reports on scientific breakthroughs and technological developments. A strongly economic view of time, when combined with monochronism, emphasizes the linearity of time. Time is viewed as being a line with a point at the centre, i.e. the present. Each portion of the line can be cut into slices, which are supposed to have a certain value. Basic religious beliefs play a key role in supporting such a linear view of time. Christianity has a one-shot interpretation of worldly existence. Only on the final judgment day will Christians know if they are to be granted eternal life. However, the Asian religions, including Hinduism and Buddhism, assume that on the death of the body, the soul is born again in another body. The belief is that regular reincarnation, i.e. until a pure soul is allowed to escape the cycle and enter nirvana, radically changes the nature of time in a specific life (Becker 1993: 1-22, 23-45).

Figure C-60 Worldly existence of humans: time bar versus time circle



For most Asians, cyclicity is central in their pattern of time as illustrated above. Naturally, patience is on the side of people believing in cyclical reincarnation of the soul. For Christians, it is more urgent to achieve, because their souls are given only one worldly life which in fact supposedly has important repercussions on consumer behaviour and marketing. Elements of cyclicity are based mostly on metaphysical assumptions. Elements of cyclicity of time therefore have one main origin - religious assumption about reincarnation of the soul.

The orientation and language

Besides the influence of religion on this orientation, language plays a role in that it identifies a society as being either short-term or long-term oriented. Short-term or long-term orientation can to a lesser extent be investigated with the help of language. However, it is possible to comment on the relationship between past, present and future. It seems that there are clues as to culture's time orientation in its language, since representations of time are conveyed through the medium of language, as a means of communication and therefore collective action, too. The vocabulary of time reveals a great deal about the linkage between language and cultural representations. Since Indonesian does not have any conjugations, the time of an action (tempus) cannot be identified through the verb. Thus the verb can have many meanings from a time point of view (Nothofer and Pampus 1998: 39). Generally, the context is sufficient to determine the tense. If this is not the case, the adverbs of time can be used for assistance. In Indonesian the completion of the action is more important than the tense; comments about the tense are carried out by three adverbs (sudah [already], belum [not yet], sedang [now]). On principle, these grammatical elements reveal that there is no clear division between tenses. It could be assumed that this is why the circles do not overlap in the circle test in this case. Finally, the culture element language has a decisive influence on this orientation, too. To what extent the orientation determines purchasing behaviour is the subject of the next section.

C.2.7.3 The orientation's impact on marketing and consumer behaviour

As demonstrated, time is a core system of cultural, social, and personal life. Each culture has its own unique time frame. Different concepts of time can explain significant differences in behaviour. A few aspects of time that are relevant to consumer behaviour are summarized in the following paragraphs. Furthermore, it should be noted that many marketing concepts are time based: product life-cycle (Kotler, Ang, Leong and Tan 2003: 316-318, 329, 332), sales forecasting (Kotler, Ang, Leong and Tan 2003: 133-137) or the planning of new product launches (Czinkota and Ronkainen 2004: 613-620) to name but a few. Normative time in marketing and management seems indisputable, and its very nature is rarely questioned. It is perceived as linear, continuous and economic. However, time in an intercultural perspective is probably the area where differences are both the largest and the most difficult to pinpoint, because (1) assumptions are very deep rooted and (2) formally one adopts a common model of time, which could lead to conflicts when different models and assumptions about time meet. Short-termism is the expression used to describe the pressure exerted by money markets for profits now, in the short term. Because of the monetary value placed on time in the US, companies that have a product that will save people time usually emphasize this feature. But in other cultures not everything that will save people time generally sells and therefore this feature should not be exploited in advertising. Western advertisers tend to use clocks in their international advertising to symbolize efficiency. At the same time however, the fact that clocks are not recognized as symbols of efficiency in cultures where people have a different sense of time is not taken into consideration (de Mooij 2005: 57). The long-term orientation is often also associated with a country's high rate of savings. In comparison to China or countries with a large Chinese minority, Muslim countries' scores are low here, too. Investigation of Indonesian consumer behaviour clearly indicates differences between ethnic groups. Muslim Indonesians do not comply with long-term orientation (fostering virtues oriented toward future rewards) but rather their behaviour (fostering of virtues related to the past and present) conforms to short-term orientation. The "time to market" is the period of time taken from the start of the development of a product until it is offered to customers in the marketplace. A variation is "time to break even", or how long it takes to earn enough money to cover expenses. Generally speaking, American managers seek to make this time shorter and shorter. A window of opportunity can close in your face if you are as much as a few weeks late. In sequential cultures, most attempts to decrease time to market, or time to break even are based on pushing people and events to move faster. This is the consequence of thinking sequentially. Push equals linear acceleration, or going faster. Pull strategies are popular in Japan. The Japanese start by "thinking backwards" from a future rendezvous with the customers to the pattern of current activities needed to make the rendezvous happen. Japan is also the place where just-in-time production practices (JIT) was developed. Those cultures that use pull strategies tend to put their focus on long-term effectiveness. The opposing value of long-term orientation is "save for tomorrow". Short-term orientation is reflected in the sense of urgency so frequently encountered in U.S. advertising. Examples are "Hurry", "Don't wait", or "Now 50% off". Another expression of short-term thinking is "instant pleasure", or living in the now and not thinking about the future, as the advertisement below illustrates.

Figure C-61 An example of short-termism in advertising (image, courtesy of GMC)

A sense of urgency in short-term oriented societies reflected in advertising

A strong value in long-term orientation cultures is reverence for nature. This is also related to collectivism, so it is particularly in the configuration of long-term orientation and collectivism that harmony of man with nature plays such a major role in people's lives. Nature and symbols of nature are important elements in the advertising of Japan, China and Chinese-related cultures (see for example Appendix 1, Figure 307-309) and to a much lesser extent in Indonesian ads. Harmony with both nature and fellow humans is a popular subject in Asian advertising. It is part of an indirect approach that helps to build trust in the company. Much advertising is pure entertainment and visuals and objects that please the eye, many of which relate to nature (bamboo trees, flowers, autumn leaves, or other representations of the seasons) and which often have a symbolic meaning unknown to foreigners, are used (see for example the BMW X5 ads discussed). Indonesian advertising reflects thoughts and harmony less via citing actual facts than in the depiction of certain familiar practices, as illustrated in the figure below.

Figure C-62 Harmonious sentiments as indicators of long-termism

"Feeling tone" of this ad for Indonesians and Malaysians: Harmony

Figure C-63 Harmonious sentiments as indicators of long-termism

“Feeling tone” of this ad for Indonesians and Malaysians: Harmony

Many Westerners do not understand the butterflies in ads for computers or other natural elements in Asian advertising. The combination of collectivism and long-term orientation demands harmony with nature and thus explains this advertising style, the objective of which is to please the customer, not to intrude. The short-term orientation of the Indonesian society is mostly articulated in advertising campaigns for banking services, such as credit cards and consumer credits and less so in ads for consumer goods where campaigns accentuate visual elements associated with, for example the status and power orientation or the social orientation.

The orientation and shopping behaviour

The sequential tendency is apparent in purchasing behaviour. People in these societies like to do a lot of things simultaneously and therefore places where they spend their leisure time (for example malls) reflect this. In the mall, not only can one shop, but one can also ice skate, visit a spa and have something to eat. Asian’s sequential tendency could explain why shopping malls that include recreational facilities are preferred. Shopping is regarded positively and as a social activity with the possibility to meet friends, to go with the whole family, to eat, or to go the cinema. All over Asia the latest data shows that economies are becoming 24-hour economies. It seems that Asians like always having something to do.

On principle, the time orientation is clearly visible in consumer behaviour and their attitude “buy now, pay later” instead of “save for later“. This became especially apparent from the interviews conducted in Indonesia. Advertising campaigns are not necessarily targeted at the average richest groups but at the groups of people which like to spend even if they cannot afford to. It became apparent that Muslim consumers in particular were the target of advertisements since they would not hesitate to spend money on every imaginable kind of consumer good. A similar experience was had in Malaysia in 2001 where a product was initially only displayed in bookstores frequented by the Chinese-Malaysian minority. The reasoning behind it was that it was believed that they would purchase the product rather than the comparatively less well-off Malays (Willer 2003). Later, it turned out that it was precisely the less well-off Malays who did not care about the price. Kids wanted the product and it was bought for them (Willer 2003).

The orientation and consumer credit

Banks and credit card issuing institutions are aware of Indonesian consumer short-term oriented behaviour and exploit this opportunity to their advantage. Consumers are bombarded with advertising for consumer credit and credit cards everywhere. Credit card companies put up their stalls at the personnel entrances or beside the prayer rooms of an office building in order to advertise their products. Restaurants, cafés and whole malls have certain offers for credit card holders. Owning a credit or bank card in Indonesia is equated with being modern, a sales argument *per se*, and nearly everyone today has at least one bank card (IS, interview October 2004). Since bank cards allow people to go overdrawn, a lot of Indonesians take advantage of this if no cash is available. Paying by credit or debit card leads to a gradual deterioration of traditional retailing where only cash would normally be accepted. Modern retail outlets take full advantage of this fact. A lot of Indonesians feel rich because of having bank cards and so they love to go out shopping and use them (IS, interview October 2004).

Figure C-64 Short-termism in Indonesian advertising campaigns for banking products

Finally, it can be concluded that the orientation is on the one hand quite visible in advertising campaigns for banking services in Indonesia, on the other hand, however, less frequent in ads for products outside the banking sector. For cars, cigarettes and many other products, visuals are used which evoke thoughts of harmonious living, a sentiment associated with a rather long-term outlook of a society.

Rubber time (jam karert) - often associated with Indonesian consumer behaviour -, was not gone into in depth in connection with this orientation, since it is only important in intercultural communication and not in International marketing.

C.2.8 Power Orientation

C.2.8.1 Definition

“Power distance” is one of the dimensions of national culture suggested by Hofstede (Hofstede and Hofstede 2005: 41) to put value concepts in a global comparative perspective. Power distance measures the extent to which a society and its individual members tolerate an unequal distribution of power in organizations and in society as a whole. De Mooij (2005: 60) defines power distance as “the extent to which less powerful members of a society accept and expect that power is distributed unequally”. Power orientation is reflected in the values of both the less powerful and more powerful members of society, for example by behavioural values of superiors who display their power and exercise it, as well as by their subordinates who are uncomfortable if they do not personally experience it (Hofstede and Hofstede 2005: 39-46). In high power distance societies, superiors and subordinates feel separated from each other and everyone has his or her rightful place in a social hierarchy, and as a result, acceptance and giving of authority is something that comes naturally. At society level, power distance translates into how society handles inequality. It is accepted that some people are given more status and respect than others. In cultures scoring lower on the power distance index, authority can have a negative connotation, as focus is on equality of rights and opportunity and independence are highly valued (Hofstede and Hofstede 2005: 40-41).

In the large-power-distance situation, children are expected to be obedient toward their parents. Sometimes there is even an order of authority among the children themselves, young children being expected to yield to older children, for example (HS, lecture October 2004). Independent behaviour on the part of a child is discouraged (Bond 1986: 203-205). There is often considerable warmth and care in the way parents and older children treat younger ones, especially those who are very young. They are looked after and not expected to experiment for themselves (HS, lecture October 2004). Respect for parents and other elders is seen as a basic virtue; children see others showing such respect and soon acquire it themselves. This can be confirmed in Indonesia, Malaysia, Singapore and South Korea.

Respect for parents and older relatives lasts through adulthood: parental authority continues to play a role in a person's life as long as the parents are alive. Parents and grandparents are treated with formal deference even after their children have actually taken control of their own lives (Hofstede and Hofstede 2005: 51) and children are supposed to support their parents financially and practically (HS, lecture October 2004).

In the small-power-distance situation, children are more or less treated as equals as soon as they are able to act. The goal of parental education is to let children take control of their own affairs as soon as they can. Active experimentation by the child is encouraged, for example being allowed to contradict their parents. Behaviour towards others is not dependent on the other's age or status; formal respect and deference are seldom shown (HS, lecture October 2004). In the large-power-distance situation, the parent-child inequality is perpetuated by a teacher-student inequality that caters to the need for dependence well established in the student's mind. The educational process is teacher-centered, that is, teachers outline the intellectual paths to be followed, are never publicly contradicted or criticized and are treated with deference even outside school. The teacher is a "guru", a term derived from the Sanskrit word for "weighty" or "honorable", which in Indonesia is, in fact, what a teacher is called. Corporal punishment at school is much more accepted in a large-power-distance culture than its opposite. It accentuates and symbolizes the inequality between teacher and student and is often considered good for the development of the child's character. In a small power-distance society, it will readily be classified as child abuse.

Other key differences between small and large-power-distance countries are that whoever holds the power is right and good; skills, wealth, power and status go together; the powerful should have privileges. Power is based on tradition or family, charisma (Weber 1922: § 12), and the ability to use force. There are large income differentials in large-power-distance countries which are mostly poorer countries with a small middle-class (Hofstede and Hofstede 2005: 67). Interview partners in Indonesia, Malaysia and Singapore considered that power orientation is one of the value dimensions with the biggest impact on consumer behaviour and a major reason for European luxury goods companies having their main retail markets in Asia (KS, interview October 2004; LSML, interview October 2004; ACWC, interview October 2004; AK, interview October 2004; BH, interview October 2004), since it would provide meaningful links between the orientation and the status behaviour of a society's members.

In the power distance index (PDI), the following countries' scores are high, i.e. in these societies power distance is rather big, reflected in steep social hierarchies; Malaysia scores 104 (rank 1-2 of 74), Indonesia 78 (rank 15-16 of 74) and Singapore scores 74 (rank 19 of 74). The reasons for these scores will be summarized in the following sections.

Figure C-65 Indonesia scoring as rather highly power oriented

C.2.8.2 The orientation's cultural foundations in Indonesia

Except for Pakistan (rank 48 of 74) which scores in the middle, most Muslim countries included in Hofstede's study score rather high, i.e. they are societies with high power-distance (Hofstede and Hofstede 2005: 41). This shows that the core cultural influences of this dimension might again be related to religion. All the religions (Hinduism, Buddhism and Islam) which colour Indonesian culture are more or less hierarchically organized as mentioned in the comments concerning the other orientations. However, Hofstede and Hofstede (2005: 66-68) do not consider religion the only element in forming the origins of power distance differences. "There seems to be a relationship between language area and present-day mental software regarding power distance" (Hofstede and Hofstede 2005: 66).

The orientation and language

Indonesian (*Bahasa Indonesia*) is the official language of Indonesia. It is, in a sense, a very "modern" language: officially it came into being only in 1945, and it is a dynamic language that is constantly absorbing new loanwords. While only a tiny fraction of the inhabitants of Indonesia speak it as a mother tongue, a substantial number use it as a second language (Nothofer 1999:73-75). This is remarkable as the syntax of other regional languages is believed to foster Indonesia's high power orientation. This is an assumption which is only possible, though, since the Indonesian language was unable to suppress the significance of regional languages in everyday life (Nothofer 1999: 73-75). The Javanese, as the most influential group in Indonesia, speak a language which reflects steep social hierarchies. The Javanese language is the inferred language of more than 75 million people in the central and eastern part of the island of Java, in Indonesia (Sneddon 2003:196-197). Javanese can be regarded as one of the classical languages of the world, with a vast literature spanning more than twelve centuries (Keeler 1984: xvii-xxiv). At this juncture, the following should be pointed out.

The Javanese culture has various registers of politeness, which are reflected in different linguistic levels. Up to fourteen degrees of politeness in the Javanese language serve to identify the social standing of the person being addressed. The Javanese consider their hierarchically structured language a reliable means of assigning respect (Markham 1995: 78), which is extremely important to them for a harmonious family life and ultimately for the entire community. Although not currently an official language anywhere, Javanese is by far the Austronesian language with the largest number of native speakers (Sneddon 2003: 196-197). At least 45 percent of the total population of Indonesia are of Javanese descent or live in an area where Javanese is the dominant language, and four out of five Indonesian presidents since 1945 are of Javanese descent. It is therefore not surprising that Javanese has profound impact on Indonesian society. Javanese speech varies depending on social context, yielding three distinct styles or registers. Each style employs its own vocabulary, grammatical rules and even prosody. This is not unique to Javanese; neighbouring Austronesian languages as well as East Asian languages such as Korean, Japanese and Thai share similar constructions. In Javanese these styles are called: (1) “Ngoko”. “Ngoko” is informal speech, used between friends and close relatives. It is also used by persons of higher status to persons of lower status, such as elders to younger people or bosses to subordinates (Keeler 1984: 4-5; 29-30; 47-48; 65-66; Errington 1988: 152). (2) “Madya”. It is the intermediate form between “ngoko” and “karma” (Keeler 1984: xix; Wolff and Soepomo 1982: 25). An example of the context where one would use “madya” is an interaction between strangers on the street, where one wants neither to be too formal nor too informal (3) “Krama” is the polite and formal style. It is used between persons of the same status who do not wish to be informal. It is also the official style for public speeches, announcements, etc. It is also used by persons of lower status to persons of higher status, such as youngsters to elder people or subordinates to bosses (Keeler 1984: 1-3; 27-28; 45-46; 63-64; Wolff and Soepomo 1982: 13).

In addition, there are also "meta-style" words - the “honorifics” and “humilifics”. When one talks about oneself, one has to be humble. But when one speaks of someone else with a higher status or to whom one wants to be respectful, honorific terms are used. Status is defined by age, social position and other factors. The humilific words are called “krama andhap” words, while the honorific words are called “krama inggil” words. For example, children often use the “ngoko” style when talking to the parents, but they must use both “krama inggil” and “krama andhap” (Keeler 1984: 215-234; Errington 1988: 152). The impact of the Javanese language on Indonesian culture and society therefore should not be underestimated, particularly its influence with regard to the power orientation.

The orientation and natural conditions

Alongside religion and language, it is believed that natural conditions (geographic latitude) influence a society’s ranking in the power orientation. The logic of the relationship could be as follows: first of all, the societies involved have all developed to the level of sedentary agriculture (for the impact of geography on the wealth of nations, see, Landes 1998: 17-28). At lower latitudes (more tropical climates), agricultural societies generally have more abundant nature at their disposal. Survival and population growth in these climates demand relatively limited intervention of humans with nature: everything flourishes. In this situation, the major threat to a society is competition from other human groups for the same territory and resources. Those societies that have organized themselves hierarchically and in dependence on one central authority that keeps order and balance, have better chances for survival. At higher latitudes (moderate and colder climates), nature is less abundant. There is more of a need for people’s intervention with nature in order to carve out an existence. The first enemy to be resisted is nature rather than other humans. Societies in which people have learned to fend for themselves (without being too dependent on more powerful others), have a better chance of survival under these circumstances than societies that teach steep social hierarchies. The value system in this part of Asia has been, as literature shows, influenced by thousands of years' tradition of wet-rice cultivation which has led to a societal formation in hamlets and villages which still impact social life today. Bellwood (1997: 146) argues in this respect for example: "Ranking in Indo-Malaysian small-scale traditional societies is based on a number of principles, the main one being that the descendants of the group that founded a settlement and first cleared the land will tend to preserve high status". This leads to a "rise of inequality" (Bellwood 1997: 146). Bellwood (1997: 147) explains that standing and class exert less influence in many areas of Southeast Asia, for example, in Borneo, Sulawesi and the Philippines, where the population is scarce and agriculture is dominated by shifting cultivation. It is different however in regions with wet rice cultivation in Indonesia. Here there is a difference between nobility and commoners. Bellwood (1997: 147) notes: "This is especially true for those societies that have had close associations with the Islamic sultanates and the networks of international trade". The latter brought prestigious goods into today's Southeast Asia, and with it, objects to display status.

Before discussion of the orientation's implication on consumer behaviour, the following significant point needs to be mentioned. Although countries have, in fact, all moved to lower power distance levels (i.e. countries score lower in power distance today than in the 1980s) this has neither led to changes in their mutual ranking in due course (Hofstede and Hofstede 2005: 71) nor has it diminished the orientation's consequence for consumer behaviour. The orientation's stability reflects the perpetual existence of cultural elements which are considered to be constant over time und which reflect the inner layer of the structuralist culture model.

C.2.8.3 Implications for consumer behaviour and international marketing

What is important for marketing is that, in large-power-distance societies, inequalities among people are expected and desired, whereas in small-power-distance societies inequalities should be minimized. This is true for more, as well as less educated persons who both show equally authoritarian values (Hofstede and Hofstede 2005: 57) although it is expected that improved education worldwide will lead to a decrease of power distance, but relative differences between countries are not expected to change. Interviews (MP, interview December 2004; HS, lecture October 2004) showed that increased levels of education have not led to a lesser degree of power distance, regardless of whether power distance levels in Indonesia, Malaysia, and Singapore were being investigated in the interviews (CCL, interview August 2005). Thus the picture of differences between countries with regard to power distance is a static one, despite an era of unprecedented intensification of international exchanges. Moreover, hierarchies and centralization are popular, privileges and status symbols are common, and competition accepted.

Results from interviews prove the following observations made during field research in Indonesia and experiences gained in connection with the status orientation. Facts support the assumption that there is a correlation between status and power orientation, i.e. countries with higher status orientation are also highly power oriented (shortly the analysis will be concentrated on status behaviour, which can be traced back to a high score on the power index). That is valid at least for the countries of Southeast Asia investigated. Indonesian consumers display social habits and customs (every greeting, every contact must indicate the kind and degree of social distance between individuals). One's social status must be made clear so that counterparts can respond using the register appropriate to their power positions. It is generally believed that well-known global brands serve that purpose, i.e. to distance one from others by using status brands. It is a matter of fact that Indonesians who arrive in a luxury car at a hotel or visit a restaurant fashionably dressed receive much better service than someone who does not. Clothes make people, or brands make people; this is definitely true for Indonesia.

Indonesians are generally believed to be among the most status-conscious consumers in the world and nearly everything can be used to distance oneself from others (emphasis on distance – power distance) and receive respect from people of a lower social level (DM, interview December 2004; HaS, interview December 2004). This includes manners and language (verbal dexterity and style), personal appearance (some women's hairstyles add status) and dress, as well as the number of people surrounding a person (for lifestyles and behaviour patterns of Indonesia's wealthy, see for example, van Leuwen 1999: 339-359). In malls, mothers with kids are frequently accompanied by their nannies and other domestic staff. In hotel lobbies people who like to be called "boss" are surrounded by their entourage who listens obediently and attentively like the boss's royal subjects. Power over people (subjects), an old tradition in Indonesian culture, bears status. To make clear who among them wield power, Indonesians who have the financial means put their employees (mostly nannies) in uniforms, with masks on their faces since the advent of SARS and avian influenza. But not only power over people bears status; even certain products do, too.

Figure C-66 Power distance in advertising campaigns

Power distance: The chauffeur left, the owner right

The orientation and products preferences

In Indonesia and Malaysia, some luxury alcoholic drinks have social status value as well, as observed in outlets in both countries. As de Mooij notes (2005: 60) there is a significant correlation between power distance and consumption of Scotch whiskey. Interviews in Singapore in 2004 confirmed this view, particularly the comments by the Senior Brand Manager of Riche Monde Sdn Bhd, Mr. Andrew Khan. He commented that a lot of alcohol is consumed because of reasons of "face" in Southeast Asia. HS replied that the fact that virtually all sales of alcoholic drinks occur in outlets (consumption in food and beverage F&B outlets) versus very low sales for home consumption show that one must doubt whether Asians really like to drink alcohol, for example wine or liquor or whether they consume it for purely status reasons in order to distance themselves from others. This phenomenon was observed in Jakarta's clubs as early as 2002 (Willer 2003). This gives reason to believe that the current wine trend in Asia might be short-lived because it is popular only due to image reasons. It could lose popularity overnight if Asians substituted wine for other drinks whose image promised greater status and helped to assure superior social standing. This applies not only to alcohol consumption, but also to coffee consumption. The reality is that most Asians actually prefer tea, but coffee is consumed publicly in coffee shops such as "Starbucks" or "Coffee Bean" where the image of the foreign brand is designed to guarantee the consumer a certain lifestyle and can assure the consumer of who he or she is and the lifestyle he or she wants to portray. At home, other hot drinks are often consumed, such as tea or Milo (AK, interview October 2004). Since these product preferences belong to the so-called practices or the outer three rings of the structuralist culture model, and since these change in the course of time, it is correct to assume that wine consumption is nothing more than a trend. Wine consumption (practices) allows people to set themselves apart from other social groups who cannot afford it. The desire to be different, however, reflects the high power orientation (one of the ten orientations in the core of culture in the structuralist culture model) which is stable over time.

Purchasing decisions are generally highly influenced by external stimuli and reflect the consumer's overall evaluation of the product in Indonesia (AS, interview November 2004). The consumer first develops a feeling for the product that arises from stimuli such as advertising, the brand name and others' opinions (DM, interview December 2004). Based upon this feeling, the consumer forms an intention to purchase or not to purchase. This can be seen in the conspicuous consumption behaviour of many Indonesians. Products which communicate status are valued for their expressive ability, and attitudes towards such products will be formed based less on the individual's personal beliefs and more on the overall image of the product communicated by brand and the opinions of opinion leaders. People who endorse products are important in advertising as their image and status spills over to the product endorsed.

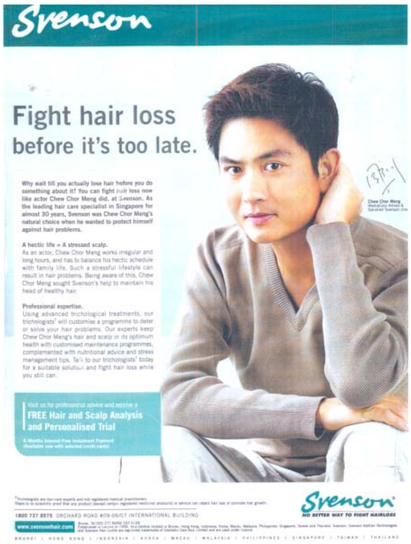
Figure C-67 Product endorsements in Indonesia

Soap opera celebrities endorsing real estate developments

Figure C-68 Product endorsements in Singapore

Endorsements by local celebrities

Celebrities in Southeast Asia endorse every kind of product and service



Another important impact of the orientation is that of being market leader and the image it brings with it. The "rightful place" concept implies that in high power distance cultures, being the "number one" brand is important (BR, interview November 2004). A brand that has entered markets early and is viewed as the number one brand will remain much more easily than it would in low power distance cultures where challengers are favoured with a "we try harder" approach. This attitude is reflected in the many brand rankings and brand awards being published in Asia every year (DM, interview December 2004; RD, interview December 2004).

Power distance, however, is not limited to the realm of brands only. In Indonesia, power distance is associated with many features. It is important for the feature which determines power distance to be visible, this means for example that non-descript brands have only limited success (BR, interview November 2004). Giorgio Armani, whose products are more understated than for example those of Louis Vuitton with its big logos, had to close its boutiques quickly (BR, interview November 2004). This was due to the fact that the understated Armani luxury did not live up to Indonesian's expectations of what luxury should be like in order to rub off on its owner (BR, interview November 2004). Preference for ostentatious brands and logos (logo-mania) is apparent in all social strata (logo-mania brands, see Appendix 1, Figure 206-217). For those who are less well-heeled, there are fakes of all brands in the informal sector and to an extent in the formal sector (observation, Jakarta and Surabaya, September until December 2004). Nowhere else, it seems, are there as many Montblanc pens with their white logos sticking out of men's breast pockets, as in Indonesia. Whether pens or sports shoes, jeans or leather goods, almost every brand is available as a fake in Indonesia – even brands which are not as yet available there (HaS, interview December 2004). This kind of democratic luxury (fakes) is all the more astonishing since, apparently there are not any no-name sport shoes or T-Shirts at all. “The bigger, the better” is the manufacturer’s motto as far as brand names are concerned, in order to meet customers’ expectations. Indonesia is one of the biggest markets for counterfeited products.[94]

Figure C-69 Imitating European architectural styles in order to add status to buildings

Architectural styles in Indonesia imitating “Versailles”, “Venice”, etc.

Another important aspect relevant to high power distance cultures is the relationship between age and status, as well as respect connected with age. Not only are older people perceived and portrayed in ads as wise and experienced, but respect connected with age can also be understood as behaviour in which authority and relationships between individuals and groups are held in high regard. Indonesia’s social life, of course, reflects this attitude (which has its foundation in the significance of age) not only between family, friends and colleagues, but also in the salesperson-customer relationship which is considered important in Indonesia.

Although age (which translates itself into power distance) is an important feature of societal values and influences consumer behaviour, a new trend, i.e. that buying decisions are increasingly influenced by Asian children and teenagers, needs to be taken into consideration, too. In the past, this trend was much too often misinterpreted. It was and still is commonly believed that the youth in Southeast Asia imitate their Western counterparts by showing less respect for elders. However, what many marketers forget is that, although children increasingly influence purchasing decisions, this is neither tantamount to disrespectfulness nor to an assimilation of values between Asia and the West. Relationships between parents and children still vary with power distance and therefore between countries, but are as stable as

[94] http://news.bbc.co.uk/2/hi/technology/4076982.stm (12 November 2005)

the orientation itself, i.e. the disparities in status and power between them. In low power distance cultures, parents play with their children as equals, whereas in high power distance cultures children play more with each other. This explains why Lego (toys, building blocks) does not sell well in many high power distance societies as the concept is based on parents and children constructing buildings together (HS, lecture October 2004).

Finally the considerable influence of this power orientation on consumer behaviour in Indonesia becomes apparent. This was confirmed over and over by interviewees who were convinced that this orientation and the status orientation exert greater influence on consumer behaviour than all the other orientations. Therefore this can be considered a general characteristic of the average Indonesian consumer who on principle acts in a status oriented way.

C.2.9 Gender Orientation

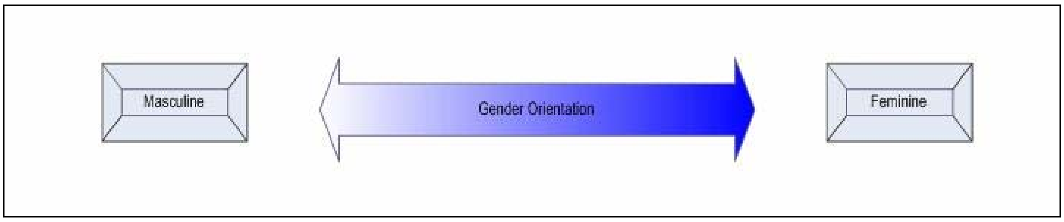
C.2.9.1 Definition

The orientation, adapted from Hofstede's dimensions of culture, can be labelled the "masculinity versus femininity dimension" or "gender orientation". The question whether one interacts with others or for others is a common problem and responses are made on the basis of dominant value systems, which roughly correspond to male (assertive) and female (nurturing) roles. This orientation can be defined as follows:

> *"A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life. A society is called feminine when emotional gender roles overlap, i.e. both men and women are supposed to be modest, tender and concerned with the quality of life." (Hofstede and Hofstede 2005: 120)*

To summarise, it can be said that the dominant values in a masculine society are achievement and success; the dominant values in a feminine society are caring for others and quality of life. Other key differences between masculine and feminine societies are that both men and women should be modest and both men and women can be tender and focus on relationships (Hofstede and Hofstede 2005: 134-136). There is tendency to polarize in masculine societies, i.e. big and fast are beautiful, whereas feminine societies, those scoring low on the masculinity index, are more people-oriented, and small is beautiful. In typically feminine societies, such as Northern European countries, the welfare system is highly developed and education is largely free and easily accessible. In these societies, patience and helpfulness are shown to those in trouble. In typically masculine societies, whether individualistic or collectivistic, weaker people find, on average, less support from society at large. In the more masculine countries, sense of responsibility, decisiveness, liveliness, and ambitiousness were considered characteristics for men only, while caring and gentleness were seen as solely for women. In the more feminine cultures, all these terms were considered as applying to both genders. In this dimension Indonesia scores 46 (rank 41-42) whereas Singapore 48 (rank 38) and Malaysia 50 (rank 34-36). All three countries' rankings reflect a rather feminine orientation, with Indonesia rating as the most feminine. The following section will explain the reasons for this score.

Figure C-70 Indonesia scoring rather femininely oriented



C.2.9.2 The orientation's cultural foundations

The issues related to the gender orientation are central to any religion. Whereas masculine cultures worship a tough God or gods who justify tough behaviour toward fellow humans, feminine cultures worship a tender God or gods who demand caring behaviour toward fellow humans (Hofstede and Hofstede 2005: 152). Outside the Christian world there are tough and tender religions. Buddhism in masculine Japan is very different from Buddhism in feminine Thailand, just as Islam in Saudi-Arabia is different from Islam in Indonesia. The same is true for Christianity which has always maintained a struggle between tough, masculine and tender and feminine elements (Hofstede and Hofstede 2005: 152). Sunni Islam is a more masculine version of the faith than Shia, which stresses the importance of suffering (Iran as predominantly Shiite, scores in a more feminine way than the predominantly Sunnite Arab-speaking countries) (compare rankings in: Hofstede and Hofstede 2005: 120-121). Although Islam is regarded as a tough, masculine religion and many Islamic countries score in a rather masculine way in Hofstede's ranking (for example Arab countries rank 31-32 of 74), Indonesia, the world's most populous Islamic country, scores as being more feminine (rank 41-42).

Another important aspect is related to Hofstede's (2005: 120) definition of a feminine society: "A society is called feminine when emotional gender roles overlap: both men and women are supposed to be modest, tender, and concerned with the quality of life." Islam's being a religion which calls for modesty (Weber 2005, Schluchter 2001, 2005) explains why many Muslim countries, although Islam is perceived as a tough, masculine religion, tend to score in the middle region of the ranking. This is since religion demands modesty from its followers. Socialization in male-dominated Islamic countries seems to discriminate against women (men dominate social life) and therefore these countries appear to be particularly masculine (because of the inequality between men and women). The ranking is based on factors like ambition and gentleness, which are irrelevant to male-female inequality, at least in Hofstede's view. Muslim countries seem to be less ambitious but more gentle. Since the rankings again take a look at religion in isolation, seeing a correlation between Islam and a high score on the masculinity index would be a false conclusion to draw.

Explanations stated elsewhere in this chapter on the cultural heritage and environment of Indonesia where pre-Islamic beliefs (whether indigenous, Hindu or Buddhist religions) still exert influence on the value dimensions, are valid in the context of the gender orientation, too. The assumption of a less masculine Islam in Indonesia is fostered by its description as moderate and liberal. A brief look at one of the many ethnic groups in Indonesia can vividly underpin this assessment. The "Minangkabau", an ethnic group indigenous to the highlands of West Sumatra is strongly Islamic but its ethnic traditions ("adat") make it the world's largest matrilineal society (Bellwood 1997: 143), in which properties such as land and houses are inherited through female lineage, unknown anywhere else in the Muslim world. Its culture is matrilineal, with property and land passing down from mother to daughter, while religious and political affairs are a male domain (although some women also play important roles in these areas).

Finally, this is one of the dimensions where no final assessment can be made as Indonesia is a diverse multi-ethnic society. Indonesians themselves agree that especially on this dimension, considerable variations between ethnic groups within the country exist, reflecting its multi-ethnicity. The Javanese, for example, take an extreme position toward the tender side of the orientation (IMP, interview December 2004). The Christian ethnic group of the Batak[95] are very different to the rather tender and modest Javanese.

All things considered, it is interesting to note how Indonesia's rather feminine score affects consumer behaviour.

C.2.9.3 Implications for consumer behaviour and international marketing

Marieke de Mooij (2005: 65-66) who studied consumer behaviour data across sixteen European countries and found several significant differences related to the masculinity versus femininity orientation, is one of the very few researchers who has looked for a correlation between culture dimensions and consumer behaviour. She draws some interesting conclusions, which again however, as in the case of the society orientation (individualism versus collectivism), seem only to be valid for the countries she studied. De Mooij's research provides her with data from which she concludes that status purchases are more frequent in masculine cultures where more expensive watches and more real jewellery are bought.

[95] Batak is a collective term used to identify a number of ethnic groups found in the highlands of North Sumatra, Indonesia. Their heartland lies to the west of Medan centred on Lake Toba. In fact the "Batak" include several groups with distinct, albeit related, languages and customs ("adat"). While the term is used to include the Toba, Karo, Pak Pak, Simalungun, Angkola, and Mandailing groups, some of these peoples prefer not to be known as Batak. Before they became subjects of the colonial Dutch East Indies government, the Batak had a reputation for being fierce warriors. Afterwards Christianity was embraced widely, and the HKBP (Huria Kristen Batak Protestan) Christian church is presently the largest Christian congregation in Indonesia. Batak societies are patriarchal. The Batak culture(s) stands out in weaving, wood carving and especially in its ornate stone tombs. Their burial cultures are very rich and complex, and includes a ceremony in which the bones of one's ancestors are re-interred several years after death (mangungkal holi).The Bataks themselves today are mostly Christian with a Muslim minority. The dominant Christian theology was brought by Lutheran German missionaries in the 19th century. One of the most famous German missionaries involved was Ludwig Ingwer Nommensen. Bataks speak a variety of (closely related) languages, all members of the Austronesian language family.

However, when de Mooij's research results were cross-checked in interviews in Indonesia, Malaysia and Singapore (2004 and 2005), the ethnocentricity of her approach and conclusion attracted attention. During a seminar at INSEAD Singapore, it was possible to speak to business leaders from around Asia. One of them, the country manager (KS) for the diamond group, De Beers[96] (in Thailand: DTC, Diamond Trading Company, see: Appendix 1, Figures 310-312), noticed that de Mooij's conclusions which the author had presented to her were not true for most parts of Asia. De Mooij notes in her research (2005: 65) that in masculine societies, performance and achievement are important, and achievement must be demonstrated, so status brands are important to show one's success. De Mooij goes so far as to see a positive correlation between the masculinity orientation and sales of real jewellery (gold and diamonds). Leading business figures of the Diamond Promotion Group (DeBeers) stated that de Mooij's conclusion might be true for the West but definitely not for Asia (ACWA, interview October 2004; LSML, interview October 2004; KS, interview October 2004).

Although most Asian countries score in a rather feminine way, showing off one's success is important and accepted (as already elaborated on in the paragraphs on power and status orientations). In a detailed presentation on Thailand, one of the most feminine countries (rank 64 of 79 countries) (Hofstede and Hofstede 2005: 120-121)), KS described her countrymen's aspirations for status and prestige (status orientation) as having a higher influence on consumer behaviour than the gender orientation. Other interviewees (HS, October 2004; JSWY, October 2004) have supported the author's opposition to de Mooij's conclusions by corroborating that her findings might be relevant only in the countries she included in her research, but that the findings are not transferable to the Asian market. In Asia, the correlation between masculinity and the sales of status products (jewellery and luxury brand products such as handbags) is invalid, except for Japan and Korea which both score in a masculine way. But especially in Indonesia, Singapore, Malaysia and Thailand, luxury goods (often with logos) are important to convey status although these countries praise modesty and score in a rather feminine way. Therefore, it must be concluded that orientations other than the gender orientation are more important in this context, for example rankings in the power and status orientations (where the aforementioned countries score highly, i.e. high power (distance) and status orientation) which might have a far-reaching impact on consumer behaviour. In a personal discussion with Bernhard Dahm (February 2006) he concluded that status orientation plays a more significant role in Indonesia than, for example, the culture behavioural effects of the gender orientation. As mentioned, in Asian countries, men and women show off their success with expensive goods and products, from jewellery and watches to cars and memberships etc. Although consumer expenditure for luxury items in Japan and South Korea reflects de Mooij's correlation (both countries score as highly masculine and status products have high sales), the sale within product categories is extremely different and shows how important it is to take a closer look. Japan and the US score in a masculine way, both have high sales of status products (such as diamonds) but the

[96] http://www.debeersgroup.com/debeersweb (10 December 2005); http://www.adiamondisforever.com/ (10 December 2005); http://www.dtc.com/ (10 December 2005);

diamonds sold, for example, are very different. In Japan big diamonds seem to be un-sellable on the mass market and the quality of the stone is more important to the consumer than size. In the U.S., the stone cannot be big enough ("Big is beautiful") but the quality, however, of the stone is less of a concern in the buying decision (KS, interview 2004).

Similar findings were made in the case of luxury consumer goods, such as handbags clearly marked with brand logos. In Asian countries (whether they score in a rather feminine way as in Indonesia or in a masculine manner as in Japan and South Korea), consumers have the urge to show off what they can afford. Here again, informal interviews during the INSEAD Singapore executive education event as well as in Indonesia, Malaysia, Taiwan, Hong Kong and Seoul (mystery shopping) show that de Mooij's assumptions are relevant only in Europe where she has done her research but that the findings cannot be transferred and implemented in Asia. The Louis Vuitton country manager for South Korea, Jean Sung-Wook Yang (JSWY), confirmed the importance of status in Asian markets and believes that other orientations presented to him might be more influential. HaS (interview December 2004) made it known, too, that the greatest factors of influence on the Indonesian consumer are the status and power orientations which outweigh the importance and impact of the gender orientation. Apparently, in Asia, the impact of this orientation on consumer behaviour might be less important than those of the power and status orientations. This reveals important insights into possible recommendations for action, i.e. the orientations exert differing degrees of impact in their influence on consumer behaviour depending on the cultural background.

Furthermore, the correlation between this orientation and sales of gold and diamonds in Europe could well be coincidental in de Mooij's research. However, one can conclude that this orientation influences Indonesian and Asian consumers in different ways than consumers from other parts of the world. In Asian countries, such as Indonesia, it is not a problem for men to wear jewellery, such as diamond rings and watches (as can be observed at the meeting places of Jakarta's rich). Swiss luxury watch makers, such as the "maisons" of the Richemont Group[97], and French luxury houses are particularly successful in these (more feminine) countries. In European countries, de Mooij's assertion is that a core value of feminine cultures is modesty, and not showing off. This is true for Indonesia, too, but it does not influence the sales of modest products (non-branded or non-logo), which symbolizes some kind of false-modesty. Other findings of de Mooij's research are that in masculine societies more often foreign goods are considered more attractive than local products. Here again it must be stated that this is not true for Southeast Asian countries, whether Indonesia, Malaysia, Thailand, Vietnam or Singapore. Foreign products are favoured in these societies although their score is rather feminine.

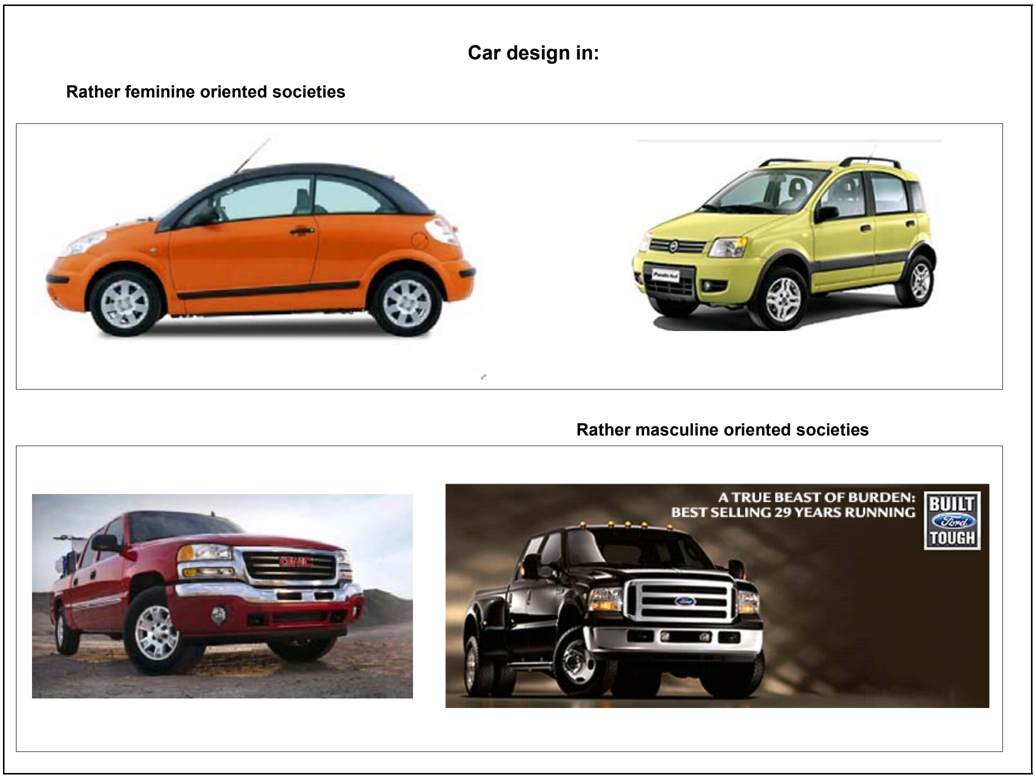
[97] http://www.richemont.com/ (13 August 2005)

Cultural decoding of the gender orientation and its supposed effects on consumer behaviour and international marketing lead to the following important findings. The gender orientation exerts a very specific impact on societies in individual countries and regions and therefore also on consumer behaviour. This, however, was not the case for the orientations discussed so far. This shows that de Mooij's comments on the effects of the orientation on consumer behaviour in European countries are not transferable from country to country or region to region. Actually, the orientations are ascertainable worldwide, since they are basic societal premises. Nevertheless the effects on society are different and mirror heterogeneity (which was already discussed in the chapter on the global consumer). This heterogeneity reveals itself in practices, rituals and heroes. Particularly since these can reflect short-lived trends, a correlation of practices, to which undoubtedly consumption practices belong, is possible with the orientation. Additionally, it must be mentioned that the correlation demonstrated by de Mooij could possibly be coincidental. Furthermore, when dealing with a correlation of this kind, micro-data is to be used (for example a comparison between a certain group of diamonds or a specific product, rather than macro-data which only considers the overall quantity purchased (for example the total number of diamonds rather than the size and quantity). Implementing macro-data can create misleading results, as clearly shown and confirmed by industry representatives. Furthermore, in certain countries, gold is purchased for completely different reasons from those in Western countries. Thus, it demands a careful approach and interpretation. To conclude this orientation it is relevant to note that even researchers from Hofstede's circle can be victims of ethnocentricity.

The orientation and product design aspects

One further aspect of interest in connection with this orientation is car design. The figure below speaks for itself. The link between the brand of car's country of origin and design is evident. Automobile companies in somewhat feminine oriented countries develop rather round (globular) cars, whereas in masculine countries (for example the USA) powerful, angular cars are developed. Advertising language is similarly masculine in these countries (”Built Tough“, see figure below).

Figure C-71 Car design and the gender orientation (images, courtesy of Citroen, Ford)



In masculine cultures, male choice prevailed in matters of family size and led to (too) large families in poor countries and to small families in wealthy countries (Hofstede and Hofstede: 2005: 160). Family planning programs' success in Indonesia may be attributed to the rather feminine orientation of its society in general. This relationship is important to know for marketing managers as the average Indonesian family is smaller in size than its Malaysian counterpart (scoring in a more masculine way) and therefore expenditure per child in Indonesia (which has a lower birth rate) can be higher than in families with more children in Malaysia.

The orientation and advertising campaigns

As shown, the masculine/feminine dimension discriminates between cultures particularly with respect to values related to winning, success, and status, which are much used in advertising appeals. It is therefore an important dimension to understand as it leads to differences in marketing-communication styles. In Indonesia comparative advertising is seen as inappropriate and is even forbidden (Indonesian Advertising Agency Society, The Power Breakfast at Le Meridien Jakarta). Discussions with a representative of the Indonesian and Thai advertising agencies at a Power Breakfast of the Social Marketing Circle again revealed that here practices depend not only on the orientations, such as that of gender, but more on local laws, regulations and customs influenced by culture. More caring roles and groups are often assigned to the visual language of print, TV and online advertising as the following examples, with which the discussion of this orientation comes to an end, articulate. The examples reveal how important the orientation is, especially in advertising.

Figure C-72 Watch makers and their campaigns in Indonesia. What might be the more appropriate approach?

"Caring" in advertisements

Patek Philippe's ads suit Indonesian's rather feminine-scoring gender orientation

Seiko's approach is interpreted as cold and individualistic in Indonesia and might not be successful there

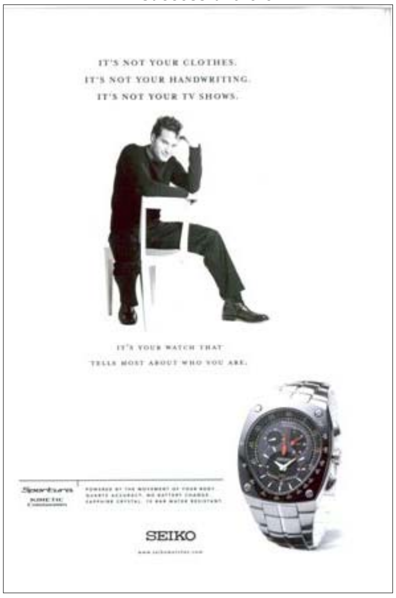


Figure C-73 Caring in advertising campaigns in Indonesia

"Caring" and important theme in ads in rather feminine oriented societies

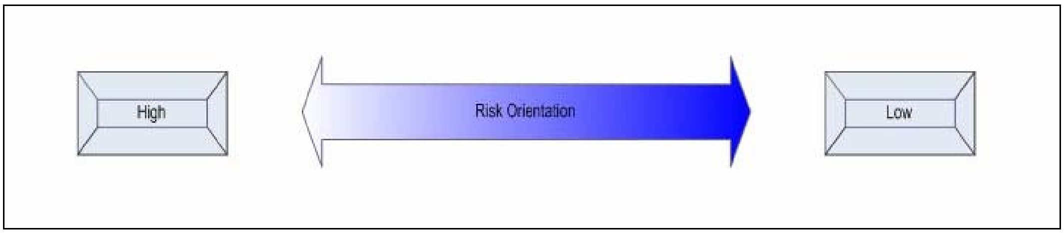
C.2.10 Risk Orientation

C.2.10.1 Definition

The risk orientation deals with another common problem faced by people in any society: namely how people deal with risk. "Uncertainty avoidance", as Hofstede (2005: 163-206) originally named the orientation, is "the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations" (de Mooij 2005: 67). Ways of handling risk are part and parcel of any human institution in any country. All human beings have to face the fact that they do not know what will happen tomorrow (Hofstede and Hofstede 2005: 165). However, one can differentiate between societies' reactions to unpredictability (i.e. risk). The risk orientation measures the extent to which people in a society tend to feel threatened by uncertain, ambiguous or undefined situations. Rather than leading to risk reduction, risk avoidance leads to ambiguity reduction. Generally, it is believed that people in societies scoring highly on the risk avoidance index (high risk avoiding cultures) search predictability and truth. This search for truth is closely connected to religion. In the following section, culture elements which account for Indonesia's low risk avoidance score are looked at. Furthermore, high risk avoidance is expressed through nervous stress and in the need for predictability, such as the need for written and unwritten rules. Aggression and other emotions are not to be shown in these societies: people who behave emotionally or noisily are socially disapproved of. This means that stress cannot be released through activity, it has to be internalized. Anxious cultures, i.e. cultures scoring highly on the index, tend to be excessive cultures. They are the places where people talk with their hands, where it is socially acceptable to raise one's voice and to show one's emotions. There are basically two ways to react: the first is based on the assumption that people have to deal with risk, because it is in the very nature of the situations they face. The future is uncertain, but one has to live with it, and extreme ambiguity creates intolerable anxiety which every human society has developed ways to alleviate. These ways belong to the realms of technology, law and religion. Religion is a way of relating to the transcendental forces that are assumed to control man's personal future (Weber 2005). Religion helps to accept the uncertainties one cannot defend against, and some religions offer the ultimate certainty of a life (Weber 2005) after death. The other extreme is marked by risk aversion, which results in the assumption that risk is bad and everything in society must aim to reduce it.

A medium to low score on the uncertainty index is common for all Asian countries other than Japan and South Korea with Indonesia scoring 48 (rank 60-61), Malaysia 36 (rank 65) and Singapore 8 (rank 74) on the index (Hofstede and Hofstede 2005: 169). In weak risk avoidance countries, anxiety levels are relatively low (Hofstede and Hofstede 2005: 171).

Figure C-74 Indonesia's rather low score on the risk orientation



C.2.10.2 The orientation's cultural foundations

Religion was previously mentioned as one of the ways in which humankind avoids anxiety and searches for truth (Hofstede and Hofstede 2005: 197). Religious beliefs and rituals help to accept the uncertainties one cannot defend against, some even offer the ultimate certainty of life after death (for example Islam). The grouping of countries in Hofstede's ranking according to a risk avoidance index score is associated with their dominant religion. In establishing a relationship between risk avoidance and religious belief, it makes sense to distinguish between religions. Some religions, such as Protestantism, Catholicism and Islam share the assumption that there is an absolute truth that excludes all others. According to Hofstede (2005: 198), the difference between strong and weak risk lies in the amount of certainty one needs to have this truth. In strong risk avoidance cultures, the belief that there is only one truth is more prevalent. Eastern religions, such as Buddhism and Hinduism, which influenced Indonesian society before the arrival of Islam (Klokke 2003: 17), are less concerned with one truth (Becker 1993: 23-45; Schluchter 1984: 41-44, 50-59). The assumption, according to Hofstede (2005: 199) that there is one truth man can possess, is absent from their thinking.

Muslim countries tend to score in the middle, and Buddhist and Hindu countries, medium to very low on the uncertainty avoidance index. Indonesia and Malaysia have the lowest score of all Muslim nations (Hofstede and Hofstede 2005: 168-169, 187, 191). While in Malaysia the reason for this low score is probably the high proportion of Buddhist Chinese and Hindu Indian citizens (although Muslims are in the majority) who were included in the interviews and biased Malaysia's score in that it is much less risk avoiding than other Muslim countries, where the proportion of Muslims in the entire population exceeds 60 percent. Malaysia's score in the ranking therefore reflects its multi-ethnic and multi-religious background, which leads to its obtaining a relatively low score on the risk avoidance index.

On risk avoidance, Chinese-speaking countries Taiwan, Hong Kong, and Singapore scored lower, as did countries with important minorities of Chinese origin, like Indonesia and Malaysia. Across these countries there is a strong correlation between the percentage of Chinese in the population (as opposed to Muslims) and the country's score on the risk avoidance index. However, Indonesia's low score on the risk avoidance index is not attributable to its multi-religious background but rather to pre-Islamic influences of Hindu and Buddhist religions, a fact which was already highlighted in the context of the previous orientations. Furthermore, Indonesia's brand of Islam can be regarded as moderate and tolerant. According to Hofstede, tolerance indicates low risk avoidance. The orthodox Islam found in Saudi-Arabia and Pakistan which is much less tolerant than the Indonesian kind, fosters a higher risk avoidance orientation, when one interprets the figures from Hofstede's standpoint. In Islam there is clearly a visible conflict between more and less risk avoiding factions, the first dogmatic, intolerant, fanatical and fundamentalist, the second pragmatic, tolerant, liberal, and open to the modern world (Hofstede and Hofstede 2005: 200).

This indicates that the difficulty in classifying countries by religion is that the great religions of the world are all internally heterogeneous. A country with an Islamic majority does not of necessity display the risk avoidance with which the society's existing religion is generally associated, as is demonstrated in Indonesia for example. It is evident that religious conversion does not cause a total change in cultural values. Indonesian (Javanese) mysticism has survived Hindu, Buddhist, Muslim, and Christian conversions. Key differences between weak and strong risk avoidance societies are that in the latter, there is more ethnic prejudice and high risk of violent inter-group conflict. Furthermore there is a propensity towards religious, political and ideological intolerance where there is only one truth. The aforementioned statements about the influence of the culture element religion, its origin, character and repercussions (which were already analyzed in the context of the discussion of cultural influence on individual orientations) will not be repeated here. With the aid of the findings related to how Indonesia's cultural heritage affects risk avoidance in today's society, an analysis of the extent to which the orientation determines consumer behaviour and international marketing will follow.

C.2.10.3 The orientation's impact on consumer behaviour and international marketing

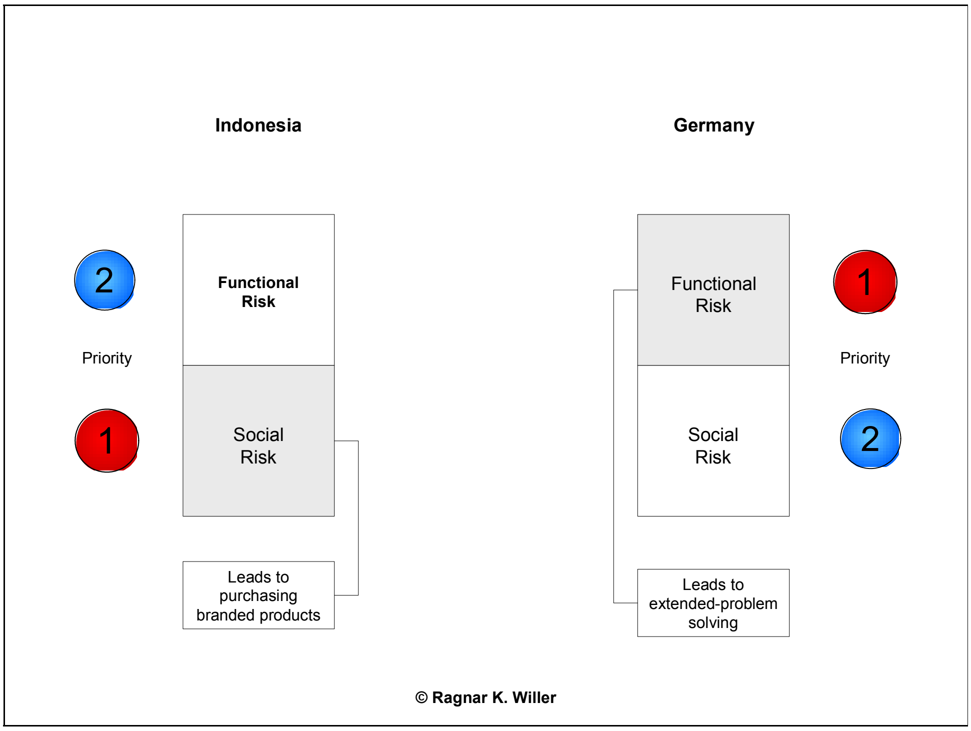
The risk orientation is connected to two aspects of consumer behaviour; the first is perceived risk and the second, consumer involvement. Perceived risk is an important variable in consumer behaviour, and differs according to its breakdown into various components: physical risk, financial risk and social risk. Whereas people in certain cultures may be more susceptible to physical risk, others may be more sensitive to social risk.

The orientation and perceived risk

As stated, most Asian cultures rate medium or low on the risk avoidance orientation (Indonesia ranks 60-61 of 74 countries evaluated) (Hofstede and Hofstede 2005: 168-169). Nonetheless, surprisingly, Indonesian consumers, like Asians in general, exhibit consumer behaviour which shows high-brand-name consciousness, brand loyalty, a greater insistence on quality, the active use of reference groups and opinion leaders, group shopping and a slower acceptance of new products, although their score is low on the risk orientation. Behaviour of this kind would normally be associated more with a high risk avoidance score. Although all consumers are concerned to a greater or lesser extent, depending on individual circumstances, with monetary, functional, physical, psychological and social risks, it is believed that in high risk avoidance cultures this perceived risk is higher and therefore more brand name products are sold in these countries. Low risk avoidance, as it is measured in most Asian countries, is equated (in consumer behaviour research) with a degree of willingness to take risks to buy products which are new, from unknown manufacturers, or no-names. This however is not the case in Indonesia where consumer behaviour which complies with the conventional standards of a society with high risk avoidance can be observed. How does this deviation come about?

With the help of interviews, it was ascertained that risk avoidance is not the decisive factor for Indonesian consumers, since consumers are extremely status oriented (Indonesia scores highly on the status and power orientation) and therefore social risk bears enormous influence. In the context of risk avoidance, status orientation has therefore to be included. The following explanation will reinforce this. Basically when analyzing consumers, one has to distinguish between physical, functional and social risks that lead to different consumer behavioural patterns. Asians on the whole tend to be more sensitive to social risks than Western consumers. This sensitivity (as well as economic constraints that increase monetary and functional risk) leads consumers to a greater hesitancy when trying out new products and thus to a different rate of diffusion of innovation from that in the western context (HS, lecture October 2004). This aspect will be dealt with in depth in the next section. Additionally, in the Asian context, brand loyalty may sometimes be more due to "inertia" than to "brand loyalty" as defined in a Western context, in which a conscious decision to continue buying the same brand is involved. Brand loyalty arises chiefly from the psychological comfort provided by avoiding social risk through sticking to the brand chosen by reference group norms. The focus on quality and brand-name consciousness that most Indonesian consumers exhibit therefore is partly a reflection of risk aversion since a recognized brand name serves as a substitute for quality. This suggests that non-branded or generic products, particularly intended for social-use consumption, meet with a less than favourable response. In social-use situations, the quality of a product demonstrates not only the level of living standard, but also the sensibility and taste of the persons who buy or own the product. In Western cultures, risk aversion is most likely to be oriented towards monetary or functional risk, depending on the product type, cost, complexity and less so towards social risk. Such risk aversion in a Western context would typically lead to extended problem-solving. The consumers collect as much information as possible, from both internal and external sources, evaluate each product alternative carefully, consider the attributes of each brand and finally select the brand to purchase based on this evaluation. This can be seen, for example, in Germany in the high reputation of "Stiftung Warentest" (German consumer testing association) an independent organization, which actually wants to reduce buying risk. However, social risk (which plays a lesser role in Germany than in other societies) is not taken into consideration.

Figure C-75 Perceived risk in Indonesia and Germany



More importantly however, is that while risk aversion leads to active involvement of the Western consumer in the search process, it leads to …"a more passive, conformist behaviour in the Asian consumer" (HS, lecture October 2004). The Asian sense of status propriety plays, as mentioned, a part in fostering adverse behaviour towards new products which have not been adopted by one's reference group.

Bao et al. (2003) studied risk aversion and face consciousness and their impact on decision-making styles with students from the United States and China. They found that the Chinese were more risk averse and face-conscious than their American counterparts. Further, risk aversion was positively associated with being confused by too many choices and negatively associated with fashion-consciousness and novelty, as well as recreational and hedonistic characteristics of the shopping experience. These results found in the context of the Chinese consumer, are believed to be transferable to the Indonesian consumer.

The orientation and consumer involvement

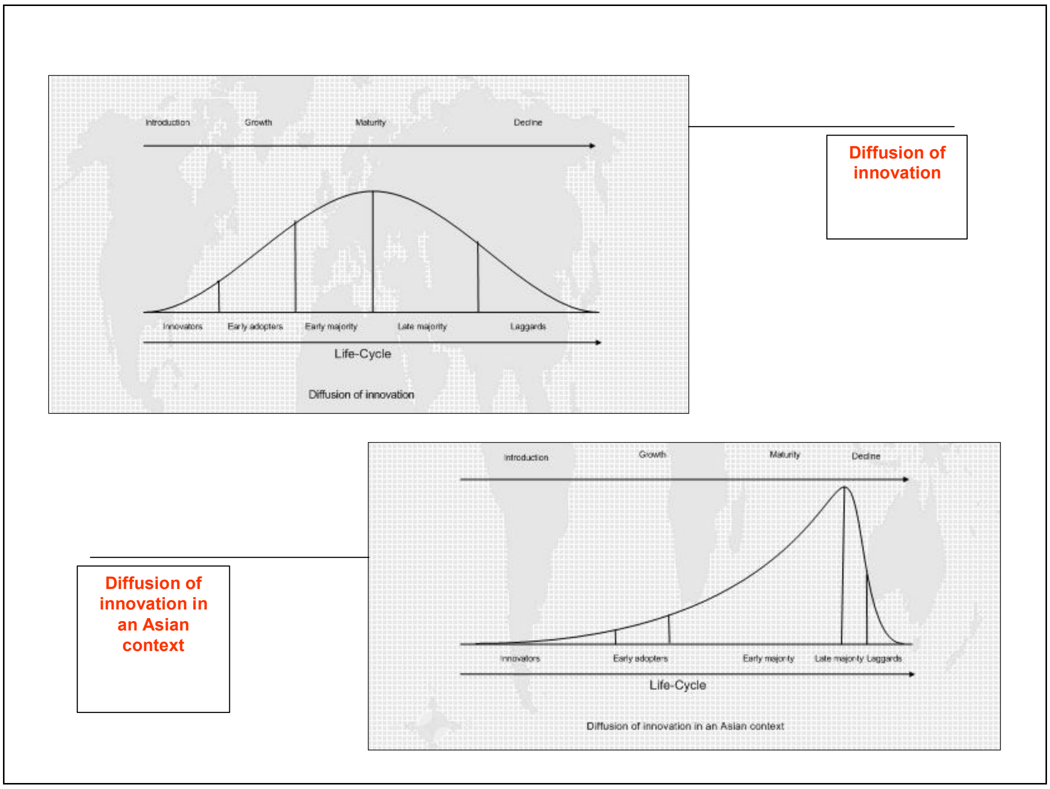
Furthermore a correlation exists between risk avoidance and consumer involvement. The involvement of the consumer in product purchase or consumption varies across cultures. The Indonesian consumer is in a low-involvement situation when it is a matter of private consumption goods. In this case, Indonesian consumers are likely to adopt a rather simple cognitive stance, favouring the physical functions of the product and being mostly concerned with price and quality. Conversely, there is a high level of purchase involvement when Indonesian consumers buy products for their social symbolic value. These consumers greatly value social harmony and harmonious relationships with the extended family, therefore the social significance of a product is very important because it may express status, gratitude, approval or disapproval. Additionally, de Mooij (2005) established the following correlation between risk orientation and consumer behaviour. In shopping for food and beverages, higher risk avoidance stands for valuing purity and basic products. Risk avoidance cultures used mineral water rather than tap water (even where tap water was of good quality) and they ate more fresh fruit. Risk accepting cultures valued convenience rather than purity: they consumed more ready-made products, such as ice cream, frozen foods, etc. Risk avoiding cultures believed more in cleanliness. On the other hand, risk accepting cultures valued looks more than cleanliness; they used more beauty products, such as cosmetics, lipsticks, body lotions, deodorants, etc. This behaviour is recognizable in Indonesia where physical attributes are extremely important. There is hardly a place in the world with as many adverts for shampoo as in Indonesia (IS, interview December 2004; Synovate 2004: 131). They were slower in introducing electronic communication tools, even if eventually they may use them as much as people in risk accepting cultures. Advertising campaigns, in print and TV, for risk avoiding cultures frequently feature experts, such as doctors in white lab coats, who recommend the product. At this point de Mooij (2005) has to be contradicted since this correlation is not applicable to Asia, for example China. China's score is very low on the risk orientation, but endorsements by experts are nonetheless favoured.

Now that differences in behaviour have been explained, companies can decide which course of action is to be taken. To what extent the orientation affects a marketing concept which is closely connected to the customer's willingness to take risks, needs to be analyzed. This will be dealt within the next section.

The orientation's impact on concepts of consumer behaviour and international marketing

Risk aversion, expressed in high uncertainty avoidance orientation leads to a distinctly different rate of diffusion of innovation among Asian consumers compared with consumers from less risk-aversion cultures. In traditional diffusion theory, consumers are categorized in relation to other consumers in terms of when they adopt a new product. The five adopter categories frequently cited are: (1) innovators, (2) early adopters, (3) early majority, (4) late majority and (5) laggards (see exhibit on the last page of this section). In a Western context, these categories are generally depicted as a normal distribution curve with innovators, early adopters and laggards accounting for 2.5 percent, 13.5 percent and 16 percent, respectively. The early and late majorities each account for 34 percent of the total population which ultimately adopts a product (HS, lecture October 2005). The figure below depicts the correlations described.

Figure C-76 Diffusion of Innovation



In Indonesia, however, very few consumers are prepared to take the social risk of being innovators and trying a new product first. The discomfort of being left behind, however, induces them to follow suit if they think that others have tried a new product. Trials by early buyers thus soften the perceived risk for followers, who are then inclined to "pile in" in their haste to buy. This suggests that the percentage of both innovators and laggards (which form the two tails of the distribution curve) is much higher among Indonesian consumers, resulting in a steeper distribution curve. Additionally, the curve will no longer be symmetrical, the left tail of the curve will be longer, reflecting the hesitancy to try out a new product, whereas the right tail of the curve drops off sharply as consumers are ready to switch brand once the normative standards of their reference group change.

Diffusion of innovation in the Indonesian context reflects the fact that referral is a highly powerful way of expanding product trial by the first wave of consumers (Yan 1994: 66-74). Thus the most effective way of reducing risk and winning acceptance for an innovative product lies in access to the Indonesian consumer's referral network and utilizing positive word of mouth (HS, lecture October 2004). Once a brand has gained acceptance among early adopters, the rate of diffusion will proceed rapidly. Being an innovator also reflects an active, or "doing" orientation, which is more characteristic of Western than Asian cultures. The marketer should try to use social interdependence and reliance on informal communication channels for Indonesian consumers to his advantage. A popular and effective way of generating positive word of mouth is to conduct consumer promotions at retailer venues. Sampling encourages trial and builds consumer knowledge about particular brands. Attracting the attention of potential customers, educating them and encouraging brand loyalty are key objectives, particularly in Indonesia where consumers are not affluent enough to experiment with brands and social risk is perceived as high. Thus, although a high level of social risk aversion among Indonesian consumers poses challenges, innovative ways can be found to overcome risk aversion, stimulate interest and trial, and eventually establish brand loyalty.

The introduction, presentation, derivation, and explanation of the integrative analytical diagram is now at an end. The model will conclusively be evaluated in the next chapter.

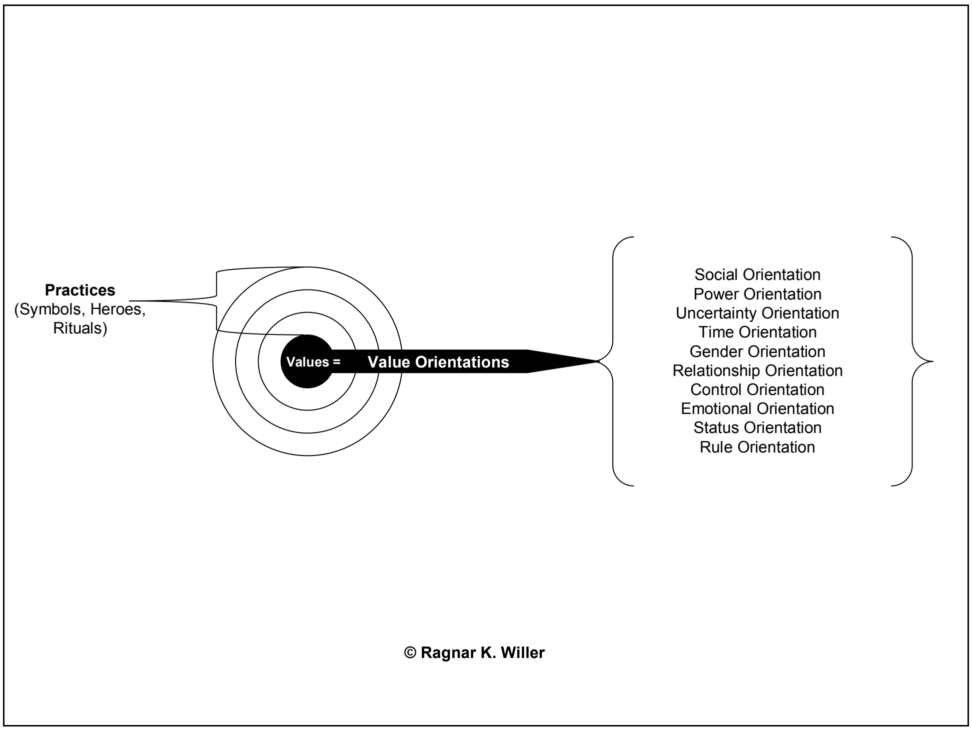
C.3 CONCLUDING DISCUSSION OF THE ANALYTICAL DIAGRAM

Summary After presenting the integrative, multi-dimensional analytical diagram for intercultural marketing and its application to Indonesia, the analytical diagram has to be evaluated and traced back to the discussion of the myth of a globally homogenously thinking and universally acting consumer (global consumer). Subsequently at the beginning of this chapter, the analytical diagram outlined in the Indonesia-specific context will be assessed and one orientation (status orientation) which has proven especially significant during field research will be delineated. Finally, the degree to which models which schematically present culture as a factor and element of international marketing need to be re-examined in this chapter. In almost all handbooks on international marketing, representative models treat culture as merely one of many equally significant factors. In view of the research findings of this work, it is, however, questionable whether such an opinion holds (culture as a factor or element of international marketing). This work shows by means of the Indonesian example that culture is indeed more than merely a factor: it is in fact the context, background and environment of every dealing, thought and action. As a result, a new schematic presentation of the factors in international marketing is rendered necessary. This interim chapter concludes with a presentation of this nature and completes the theoretical discussion initiated in the chapter on international marketing. Finally the analytical diagram, research results and their subsequent discussion clarify one point: international marketing can and must (if culture is not to be understood simply as an equivalent, peripheral legal, economic or infrastructure variable) always be intercultural marketing, i.e. a form of marketing in its own right, which considers seriously and exploits fully the relevance and implications of culture in a success-oriented manner.

C.3.1 Critical appreciation of the analytical diagram

The starting-point of the integrative, multidimensional analytical diagram is the assumption that commonly, in every culture, a limited number of general universally shared human problems needs to be solved. One culture can be distinguished from another by the specific solution it chooses to those problems which are also named “cultural dimensions” (Hofstede and Hofstede 2005: 22-25; Trompenaars and Hampden-Turner 1997: 26-27; Trompenaars and Woolliams 2004: 9-12; Johansson 2001: 62-65) or “orientations” in the context of this work. These cultural dimensions are mostly psychological dimensions, or value constructs, which can be used to describe a specific culture. The author follows the school of thought that international marketing research can operate on the theoretical foundations of these cultural dimensions (de Mooij 2001, 2005) (orientations) which were once developed for intercultural communication but (as this work demonstrates) can be merged into a new analytical diagram and expanded onto marketing. The following figure (C-77) reconstructs this work’s underlying thinking. From a structuralist starting-point, culture - in the sense of Hofstede’s definition (2005: 7) - can be schematically represented in such a way that visible elements of culture (practices) i.e. symbols, heroes and rituals form the outer rings on the model, and moral values which represent the value orientations or value dimensions, are shaded black in the inner ring of the model. Within these value orientations (also known as “mental programming of the mind“ [Hofstede and Hofstede 2005: 4]), one can differentiate between ten distinct orientations within the integrative, multidimensional analytical diagram for intercultural marketing. The thinking behind the following figure is to be interpreted in the subsequent way (from left to right). Practices (symbols, heroes, rituals) distinguish the outer layers of culture in the structuralist model of culture while values, “mental programming of the mind” (Hofstede and Hofstede 2005: 4), identify the invisible layer of culture. Within the invisible layer, ten orientations can be differentiated in the context of this work. They can be found at the right side of the model in parentheses.

Figure C-77 Value orientations and their position within the culture onion



A comparison of cultures, i.e. members of one culture whether on a micro or macro level, allows differing alignments within the respective orientations to be determined, as was investigated in the previous chapter on Indonesia. For example, the American society is considered to be rather masculine (Hofstede and Hofstede 2005: 120-121) and that of Indonesia, to be on the whole feminine (gender orientation). Here it is to be reiterated that generalizations are implied. Every culture, here on a macro level (i.e. countries or society levels), reveals individuals who behave differently from the majority of citizens (of that country or society) being observed. However, in the scope of this work, basic trends in Indonesian society had to be determined and consequently the country level was the research frame. In subsequent works, more specific and detailed comparisons can be carried out between individual societal groups e.g. between different ethnic groups. It would be desirable to research the extent to which orientations between ethnic Chinese and Muslim Indonesians deviate or to examine to what degree Javanese and Batak differ in their orientations. Initial observations in Indonesia revealed great differences in culture and consumer behaviour in both groups (ethnic Chinese and indigenous Indonesians), which even decades of assimilation policy were unable to eliminate (on the topic of the ethnic Chinese minority, see for example: Suryadinata [2005, 2004a, 2004b, 1997]). Since this ethnic subject matter has not yet been freed from stigma, research in this area is considered problematic. This was apparent above all in interviews where Indonesian interviewees avoided questions concerning ethnic dimensions of Indonesian consumer behaviour. Only IW (interview November 2004), Puma's[98] Far-East president was willing and able to provide insights. Referring to the youth segment of the market, he explained that Puma sub-divided their target group into ethnic categories after having limited it to demographic variables. The reason for this was that one would concentrate mostly on young ethnic Indonesians, who were considered to be more fashion-conscious and who spent significantly more money on clothing and shoes than their native ethnic Chinese counterparts. The latter were mainly influenced by rather conventional fashion trends from Singapore, whereas indigenous Indonesians would generally look to Hong Kong, Japan and Western fashions for inspiration. As a result of this conclusion, outdoor advertising space would be booked, for example, near universities with a majority of native Indonesian students. Also, several campaigns were concentrated in Bandung, which is considered to be a trendsetting location in Indonesia. Bandung is a place where many indigenous Indonesians study. Furthermore, it is a popular and well-known holiday destination for young native Indonesians. IW explained that basically many companies underestimated this ethnic dimension. This brief explanation demonstrates how significant cultural aspects are in consumer behaviour and shows in Puma's case, how the 4Ps (especially place and promotion) were tailored to foreign cultural conditions.

This ascertainment reveals that if one can identify and compare cultures and how culture affects consumer behaviour, one can adapt international marketing strategies to these cultural dissimilarities and extend the international perspective of marketing by adding an intercultural dimension. The construction of the analytical diagram is designed to enable practical and structured approaches for intercultural marketing, and it is believed that the analytical diagram and the structured approach will considerably ease the process of dealing with foreign markets and provide advantages to companies. It should be expressly stated here that other subjects such as political science can benefit, too, from application of the analytical diagram and a subject specific interpretation of the results.

In spite of the very positive experience and feedback concerning the analytical diagram, limitations of the model are, of course, inevitable. The country or nation variable which allows the division of individuals into larger groups to become operational is obviously convenient, but controversial since the direction of causality between the concepts of nationality and culture is unclear. Not all nation-states are an enduring reality, nor do all national territories hold homogenous ethnic, linguistic and religious groups. Basic sources of cultures can be the sense of belonging to an important ethnic group and may override and even nullify the feeling of belonging to a particular nation-state. National and cultural territories with specific, recognized borders are rarely wholly homogenous. One of the principal aims in international marketing is, however, to identify, categorize, evaluate and finally select market segments, and country or nation states are often a primary segmentation basis, due to the ease of implementation.

[98] http://about.puma.com/puma.jsp?type=company&lang=eng (17 November 2005)

When discussing the model with local experts, Indonesians continually emphasized the impossibility of applying an orientation's evaluation in a generalized way to all members of Indonesian society. It could, however, be assumed that the majority of Indonesian society in general embodied the respectively discussed orientations. This is particularly true as modern lifestyles in the very urbanized Java exerts considerable influence on other parts of the Indonesian archipelago and furthermore, it goes without saying that Javanese culture is the one which exerts the most influence on Indonesia (Graf 2002: 22; Dahm, personal discussion February 2006). In this process the Javanese culture had a pivotal role in influencing Indonesian culture as the numerically largest and most influential ethnic group.

It is obvious that in investigations generally the focus has to be put on the majority when eliciting and describing trends typical of the country. This approach is valuable in highly heterogeneous societies like Indonesia which do not offer the existence of a unique modality (master variable) throughout its whole population (that is, only one religion, or one language). Due to its heterogeneousness Furnivall (1939: 45), for example, describes Indonesia as a plural society, i.e. a society in which two or more groups live side by side but separately within the same political unit (Furnivall 1939: 239). This emphasizes the importance of follow up research which concerns itself with individual social groups more intensively than this work (which focuses on Indonesian consumers in general).

In conclusion, it should be recognized that the concept of national culture may seem dangerous in many respects, because it sums up a complex and multiform reality and national culture is at a level that generally smacks of cliché and stereotype. Nonetheless the analytical diagram and its application circumvent these risks by, on the one hand, wanting to draw attention to country typical trends of the respective orientations and their ramifications on consumer behaviour, and on the other, by virtue of offering the possibility of also conducting studies at a sub-country level (for example at an ethnic group level). The advantage of this feature of the analytical diagram is that it permits comparisons, which in the author's opinion, ought to be the crux of area studies.

Evidence was found that Indonesia's orientations, and thus what motivates consumers to behave in a certain way, to prefer some products or brands to others, are different and remain different in comparison to the values of people from other countries, i.e. orientations. If one takes the enormous differences in the impact of the orientations into consideration, and if one recognizes the significance and therefore the influence of culture, then standardized global marketing does not appear to be appropriate. Moreover, in view of the relative stability of the values over time, it cannot be assumed that globalization processes will lead to a convergence of the orientations' shaping in due course (Sondergaard 1994; Hofstede 2001; de Mooij and Hofstede 2002; de Mooij 2005) and thus standardized global marketing in the future will appear as inappropriate as it does today. This view is confirmed by Tineke Boucher-Floor (email, THT-Consulting, August 2005) who indicates that if one analyses the broad spectrum of 55 countries represented in THT inter-cultural databases, then there is no single paradigm of converging or diverging values (orientations). If the results of this thesis are put into practice (i.e. that culture exerts considerable influence on consumer behaviour and consequently on purchasing patterns – expressed differently according to consumers' backgrounds), it will be apparent that culturally convergent and homogenous behaviour of consumers does not exist. Owing to the analyses which confirmed that there are no changes at the core of the structuralist model of culture (the ten orientations of which supposedly determine consumer behaviour), culturally convergent and homogenous treatment of consumers will not exist in the future either. The global consumer popular at company headquarters as the prototype of a culture-less, contemporary human being demanding the same products and services worldwide, is, and continues to be a myth.

In the course of the introductory discussion on globalization and its dimensions at the beginning of this thesis (resulted in the ascertainment that globalization is to be taken as glocalization) the theoretical line of argumentation against the existence of a global consumer will be summed up. Except in the case of raw materials, there is no global market, just as there is no global consumer. Apart from raw materials, almost all products are culturally-bound, i.e. they are considered, chosen, bought and interpreted locally.

As a result of the data, i.e. the scores from over 50 countries (their respective orientations), it can be assumed that at least for the countries for which data is available, similar purchasing behaviour on a country level cannot be observed, since the scores of the respective countries are extremely dissimilar. When observing all ten of the orientations, not even two countries are close-clustered, i.e. all ten orientations of the two countries show similar results. As stated at the beginning of this part of the thesis, when comparing countries within Asia, even the differences in scores from within the region are enormous. If there is no such thing as the global consumer, what is there then? There is only one answer based on this thesis. All consumers are glocal consumers, i.e. they may to an extent buy globally available products from multinational companies, but they buy and use them locally, i.e. on a local platform, and they interpret them locally.

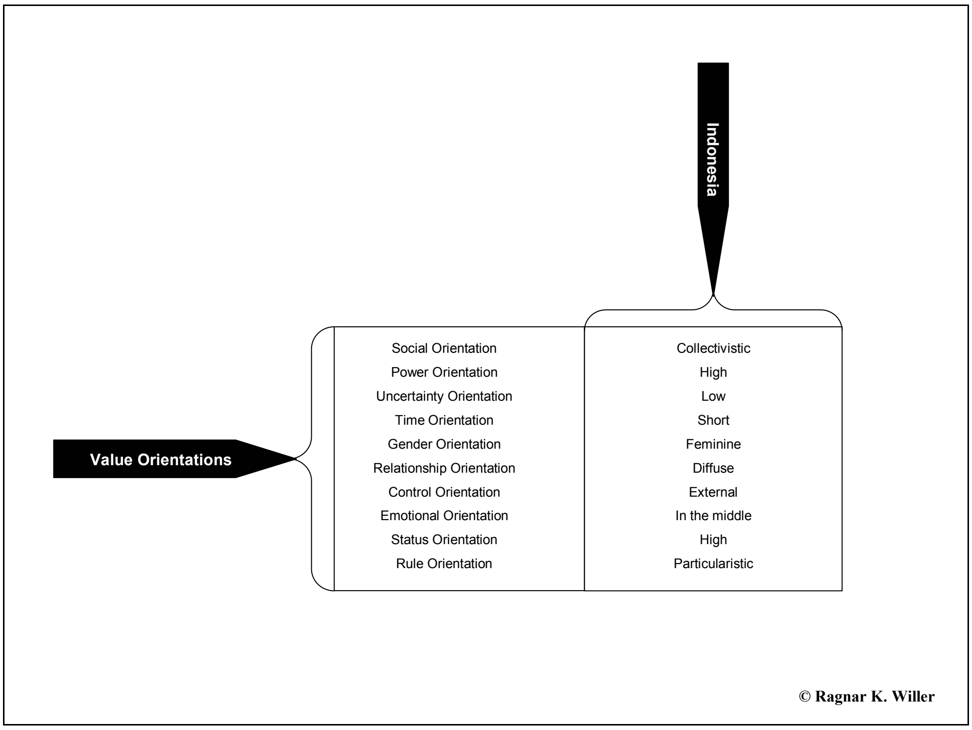
The following paragraph is devoted to a synopsis of the Indonesian results of the analytical diagram of intercultural marketing and an explanation of the significance of two orientations needing special attention with regard to the Indonesian market.

C.3.2 Results for Indonesia

Discussions with interviewees in Indonesia have enabled a picture of Indonesian consumers to emerge and have permitted conclusions on the far-reaching repercussions on consumer behaviour to be made. This was effected in detail in the previous chapter. This paragraph serves to reiterate the results on the one hand, and on the other to prioritize the orientations in light of their influence on Indonesian consumers in general.

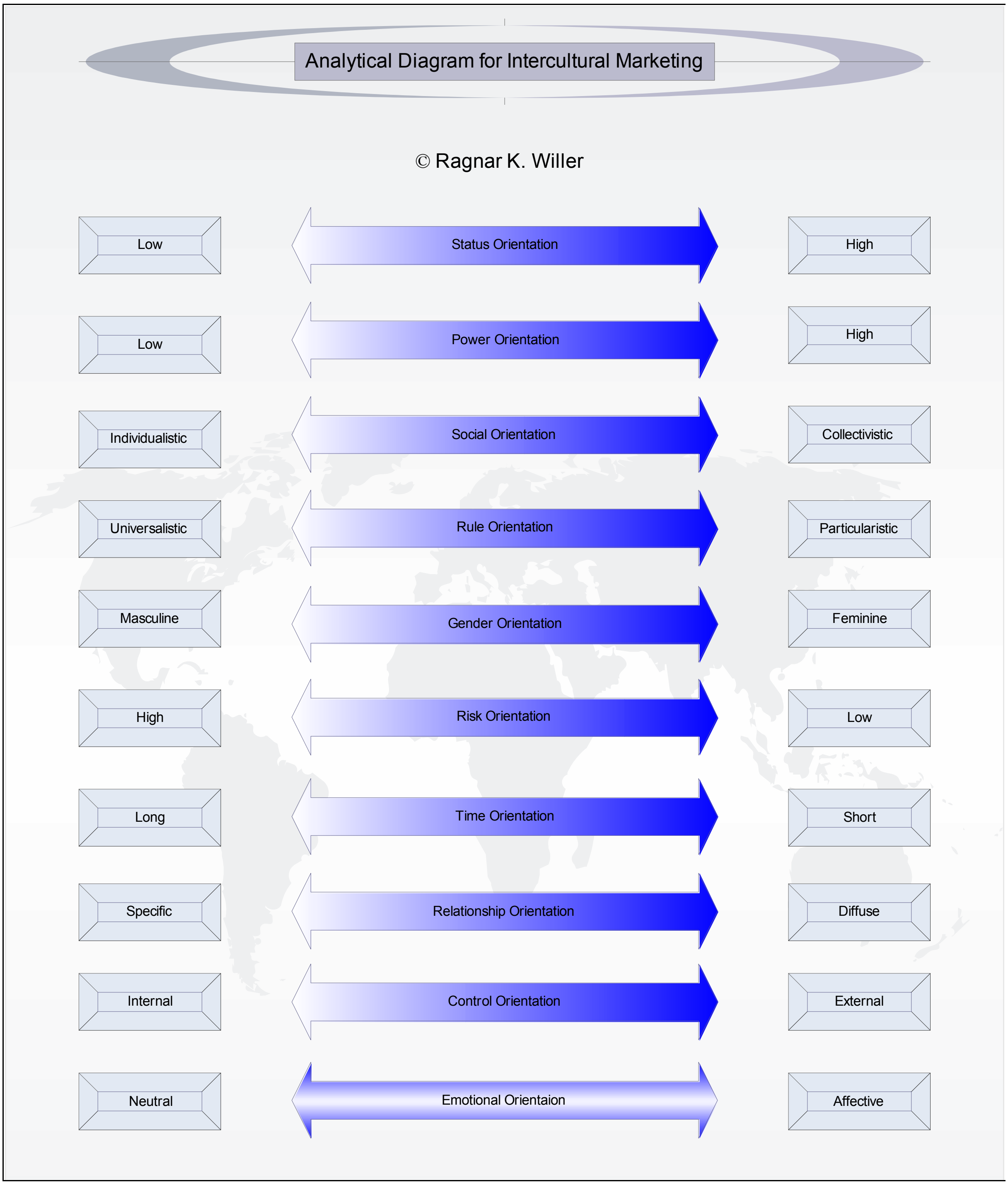
According to the given definitions Indonesian consumers appear to be particularistic, collectivistic and rather femininely oriented. Additionally, they are somewhat short-term oriented, externally-control oriented, and have a rather low score on the uncertainty orientation. Furthermore, and in the opinion of the majority of interviewees these are the two most crucial criteria, Indonesian consumers are generally high power oriented und high status oriented (both orientations correlate positively). Both will ultimately be investigated in greater detail. The statements pertaining to the emotional orientation are largely contradictory, and thus it is seemingly infeasible to arrive at a coherent verdict (as to why Indonesia can neither be considered very emotional nor very neutral). The following figure (C-78) depicts the ten value orientations and their respective bias in Indonesia. The figure after the former one (C-79) is an arrow diagram which was employed for the initial presentation of the analytical diagram. This has now been completed with data gleaned for Indonesia and the completed arrows reveal the respective alignment of the orientations (see, Figure C-79).

Figure C-78 Value orientation results for Indonesia (1)



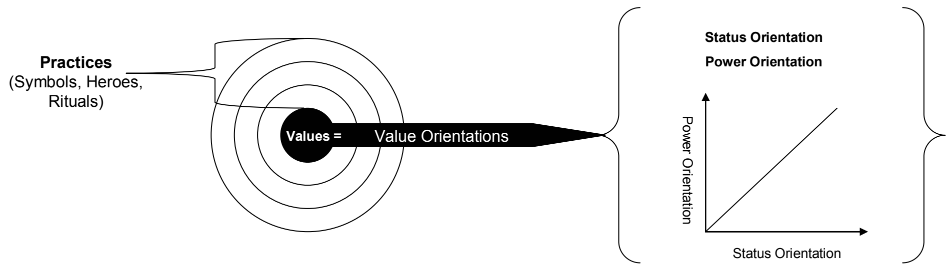
The above figure (C-78) shows the ten orientations in the left box, and the respective bias of the orientations for the Indonesian case in the right box. The following figure (C-79) resumes the depiction familiar from the introduction to Part C. The tips of the arrows shaded darkly show the direction which Indonesia tends towards.

Figure C-79 Value orientations for Indonesa



In addition to the above results, correlations between individual orientations are discernible, such as, for example, between status and power orientations. The following figure reveals the correlation between status and power orientation, a fact to be highlighted in more detail in the next paragraph.

Figure C-80 Correlation between status and power orientation



C.3.2.1 Status-driven behaviour, prestige as a motivator and consumption patterns

The economic expansion in recent years in the ASEAN countries has allowed enormous growth in status-seeking conspicuous consumption throughout the region (Gerke 2000: 135-158; Chua 2000: 183-201; Finkelstein 2000: 225-240; Robison and Goodman 1996: 1-18; Kahn 1996: 49-78; Robison 1996: 79-104; Pinches 1999: 1-55; Young 1999: 56-85; Heryanto 1999: 159-187). Robison and Goodman (1996: 1) observe:

> *"In recent years the imagination of the West, and indeed, of the East as well, has been captured by the dramatic emergence in East and Southeast Asia of a new middle class and a new bourgeoisie. On the television screens and in the press of Western countries, the images formerly associated with affluence, power and privilege in Asia – the general, the princes and the party apparatchiks – however outmoded in reality, are being increasingly replaced by more recognizable symbols of modernity. Western viewers are now familiar with images of frustrated consumers in Bangkok and Hong Kong traffic jams, Chinese and Indonesian capitalist entrepreneurs signing deals with Western companies; white-coated Malaysian or Taiwanese computer programmers and other technical experts at work in electronics plants; and above all, crowds of Asian consumers at McDonalds or with the ubiquitous mobile phone in the hand." (Robison and Goodman 1996: 1)*

Bright new shopping centres sporting expensive boutiques and flagship stores can be found throughout Southeast Asia (Finkelstein 2000: 225-240). Among consumers with the financial means, conspicuous consumption is the rule rather than the exception and is distinctly motivated by the pursuit of status (HS, lecture October 2004). As economic growth progresses, families feel compelled to display their increasing wealth and status. Lavish spending on consumer goods is common (HaS, interview December 2004). The pursuit of status is the leading determinant of such consumer behaviour and it is Western brands that often connote status. Indonesian consumers are eager to be "modern" and so adopt Western consumption habits, buying French perfumes, German appliances, Swedish furniture and Swiss watches, which unlike local products are interpreted as modern (Hoffmann 2006: 53). Products intended for display are regarded as an important vehicle for self-enhancement (HS, lecture October 2004) and imports of apparel, cosmetics, and automobiles have seen enormous increases over the past few years (Hoffmann 2006: 53). While many West Europeans appreciate understated luxury and purchase pieces only recognizable to those in the know who realize their true value, Indonesians adore blatantly obvious logos which clamour "Look here, I'm rich!!", something which can be observed everywhere in Indonesia or in these groups' shopping destinations in Singapore and Hong Kong.

Although such spending may seem incongruous in view of the still relatively low incomes in many Southeast Asian countries, the pursuit of status is so important that some of these consumers have shown themselves willing to go into debt to buy products (IS, interview September 2004). For example, it is not just the small number of Indonesian and Malaysian millionaires who partake in conspicuous consumption, but also middle-level managers on shopping sprees. Even teenagers in rural towns sport expensive running shoes and office boys the latest mobile phone (AS, interview November 2004; TS, interview October 2004). Southeast Asian governments regard this development from two standpoints. From an economic standpoint, the governments have grown increasingly concerned about the current account deficit (trade deficit). From a cultural standpoint, they are concerned about the strong growth in consumerism and its apparent opposition to many of the values, attitudes and behaviours associated with their traditional cultures. Even in Vietnam which only instituted "Doi Moi" (the policy enabling partial reform to a market economy) as recently as 1986, there has been a rapid movement towards consumerism in urban centres (see, for example: Carruthers 2004). In Indonesia, the relatively low income level precludes all but a small minority of "orang kaya baru" (OKB) (nouveaux riches) from being able to afford the luxury of status-seeking consumption through top luxury brands (Shamsul 1999: 86-110). Only a few thousand Indonesians can afford European luxury goods such as cars, clothing, watches and jewellery, however, most Indonesians aspire in general to Western brands because they have an image of higher quality compared with national brands (HaS, interview December 2004). True perfection in Indonesia is not expressed through refined and subtle luxury, with discreet symbols, but (as previously mentioned) through purchasing garish, gaudy articles decorated with flashy, showy logos. Part of the attraction lies in status-seeking, as can be seen in the tendency to leave tags on sunglasses and labels on the sleeves of suits or in general in the preference of "logo-mania" goods. However, this trend has not yet reached levels like in Japan where a dangerous and disturbing side to such consumerism is, for example, the recent spate of schoolgirl prostitution. High-school girls have realized that a means of financing their taste for expensive brands such as Chanel, Fendi, and Prada is to sell sex. One 16 year-old girl says:

> *"If I want to buy Prada and Vuitton bags that cost $600 to $700, I have to have this kind of job. Everybody wears them. I feel like a more valuable person if I have them." (Schütte and Ciarlante 1998: 107)*

Although most Indonesians claim not to have a lot of money, the desire for social status has motivated the contemporary phenomenon of competition to possess, display or consume whatever is the most modern or most famous item of its type.

Western consumer goods have been a mass phenomenon since the beginning of the 1990s, however the desire to distance oneself from others via certain symbols, is culturally motivated and can be traced back to high power and status orientations. Consumption, possession and showing-off of certain cultural wares are thus means of differentiation. During the late 1990s, as Indonesians took the leap towards conspicuous consumption, the items chosen to communicate status were typically Western brands. This awakening in Indonesia, produced by contact with the West in the early 20th century where goods imported from the west were available only to very well-heeled Indonesians at the top of the social hierarchical pyramid, and were therefore considered to be status symbols. Western or imported goods (except for those from China) even today continue to qualify as status symbols although their number has increased dramatically and these are affordable (at least in the fast moving consumer goods [FMCG] sector) to all Indonesians. The desire to possess goods such as these is astonishing upon closer inspection since Western culture and material objects have come to represent (to the Indonesians) qualities of the West which most contrast with Indonesian culture: individualism, freedom of expression, Western modernity and so on. This assumption is flawed and is based on the belief in globalization (and its resulting homogeneous global consumer) and not in glocalization and its resulting glocal consumer, in whose tradition, consumers act locally (purchase, choose, use and interpret locally). In Indonesia the motivation to possess Western goods such as these is not to express freedom via consumption; rather it is the compulsion to expose one's own status through the medium of consumption. Indonesians do not seem to use Western brands to express the meanings of individuality, rather they try to express worldliness and status. Young people in particular are very brand conscious, but are more selective when it comes to brand consumption (IW, interview November 2004; G, interview December 2004). No longer will just any new Western brand sell (IW, interview October 2004). The results of interviews conducted with experts reveal that the status and power orientations (which both lead to status-aware conduct) can be seen as characteristic of Indonesian society and thus as behavioural patterns which influence consumer attitude. Bernhard Dahm, the doyen of Southeast Asian studies in Germany confirmed this opinion in an interview conducted with him in February 2006.

Generally, social stratification is based on somewhat different criteria across cultures, even though social classes consistently appear across cultures. It is not the existence of social classes that differs, but the degree of emphasis placed on social stratification that varies across societies. In countries where the emphasis on power and status orientation is strong, people in higher classes see themselves as being substantially different from others in lower classes. This can extend to speaking the language differently, prohibiting inter-class marriages, and distinguishing oneself by specific tastes and lifestyles unaffordable for other social strata. Indonesian society which figures an extremely high power distance and a high power orientation, avails itself of a multitude of status symbols. Behaviour on the part of middle and upper classes appears to be intensely driven by the pursuit of exclusiveness (Gerke 1995: 7-11). Symbols of exclusiveness include the appropriate clothing, jewellery and other possessions not to mention cultural goods such as the command of a foreign language (Gerke 1995: 8-13).

The immense status-motivated behavioural patterns are especially apparent in Java, and have over time, extended to the whole of Indonesia thanks to the media and migration. According to interviewees, the prerogative of the “priyayi“ (the educated Javanese upper class, who, according to their religion are predominantly followers of syncretistic religion “agama kejawen“) way of living, became a behaviour and style forming phenomenon aspiring to social strata. In many respects they display a patriarchal and in this sense autocratic social structure (Markham 1995: 83; Berman 1998: 6-17; Errington 1998: 1-21). A person’s social standing depends on his/her belonging to one of the two prime social echelons of Indonesian society which differentiates between white collar workers with desk jobs and blue collar workers with manual labour jobs. Members of the lower strata (farmers, labourers, manual labourers and servants) must show respect to members of the upper classes (higher ranking employees and well-heeled self-employed people) by means of language register and posture (Markham 1995: 83; Berman 1998: 6-17; Errington 1998: 1-21). The “priyayi” distinguish themselves from the remainder of society with their way of living. The expression priyayi denotes the bearer of courtly culture which peaked at the courts of Surakarta and Yogyakarta. In priyayi-view of life, differences in standing are deep rooted and find their expression in sophisticated etiquette as well as different Javanese language register according to rank. Socially “priyayi” are on a par to nobility, “ndara“, with whom they share lifestyle and philosophy. They only have contact to people of the same social class.

The priyayi continue to command the greatest respect today. It is impossible to belong to this stratum with wealth: rather you belong to it because of ancestry and lifestyle, and more recently because of academic achievement, too (Geertz 1969: 9). The “priyayi” are set apart from the others since they generally live in cities, and never exercise manual labourer positions (BR, interview November 2004). They are civil servants, employees and intellectuals. The lifestyle and realm of imagination of both strata are coloured by “agama kejawen“ and frequently are connected to Javanese mysticism, “kebatinan“ which places emphasis on order at all levels of existence (Mulder 1978: 106). The priyayi, in contrast to the “wong cilik” (who earn a living as farmers, manual labourers or workmen), emphasise their connection to courtly arts of bygone days such as Gamelan music (Gramich 1995:3-4; Becker 1980: 1-10), dance, puppet plays and literature and display their “alus”-nature. Order means the control of every aspect of their very existence (Magnis-Suseno 1981: 115). Markham (1995: 83) explains: “Status is determined *inter alia* by wealth, provenance or education“. Poedjosoedarmo (1972: 6) differentiates social groups, too, between physical constitution, economic and political power, relatives, age differences, sex, magic abilities, and psychic peculiarities etc. According to Javanese hierarchical order, everyone who submits to those people who are worthy subordinates the source of life, respects moral wisdom and the proximity to power (Mulder 1990: 31). Harmonious coexistence can only be achieved when all members of society are aware of and assume their social role and thus their rights and duties. On the subject of Javanese status behavioural patterns, Mulder (1990: 139) sums up: This imaginary world is concentrated on an individual level on the yearning for status and hankering after prestige.

Since status has become the only real thing in the world, people identify with it, and self-satisfaction is wholly dependent on status recognition on the part of others. In this way each moral issue or problem is concealed behind the satisfaction with one’s own ego. The greatest threat to this ego is posed by losing, i.e. by being humiliated or by being insulted since they would “rather die than be humiliated”, and they believe it is preferable to lose money than status. As a result, status (that was held on to just for the sake of not losing it) obscured one’s view of the objective consequences and furthermore led to negligence for all worldly and material living conditions. To a certain extent it led to somewhat narrow-mindedness and obstinacy to the point where status satisfaction overrode everything else. Mulder (1990: 139) adds: “In matters of status, Javanese are irreconcilable“. For this reason people are often obstinate and uncompromising, wanting to protect their status at all costs (which on the other hand can be traced back to the fear of losing). The end justifies the means as far as protection of status is concerned: even lying is justified. Mulder explains (1990: 140): The external life must be pushed aside; it is best to invent one’s own truth. Confrontation with the real world is avoided by means of escapism into a fantasy world – “wayangan“- filled with status symbols, self-deception, and the superciliousness of a personal truth in the process of development. How this observation in today’s consumer is made apparent, will be revealed in the following paragraphs. The significance of status in Javanese society in particular and in Indonesian society in general cannot be more demonstratively expressed.

When one visits a well-off Indonesian one gets the impression that their visible, domineering edifice is a meaningful symbol of their holiness and their right to be respected. Concrete proof of the worth of a person deserving of respect is the arrangement of rooms which visitors, supplicants or clients have to go through in order to reach that person. Ante-chambers ritually segregate distinguished people from the common people. Thus on a visit to a high-ranking Indonesian individual, the tea was placed at the other end of the table to ensure the ceremonial distance between the distinguished person and the deferential visitor. After the author had to wait in three different places to be taken to the room where the interview was to be conducted, he was seated at a befitting distance from the interviewee. As previously mentioned, interviews and meetings with Indonesians were conducted in a manner which respects

Indonesians' extreme status orientation. Premises were looked for which were appropriately decorated for extraordinary and worthy people. These rooms had to make people feel that they were something special, and to revere them with suitable politeness. Visitors had to be enabled to show symbolically to outsiders that they belong to the elite in society. Private office rooms in the business centres of the Four Seasons Hotel, Grand Hyatt and Shangri-Là in Jakarta apparently met these criteria, and were therefore chosen to conduct interviews in an environment where the interviewees felt at home. In this manner the interviewees were made to feel that their social status was recognized and respected.

It was obvious that behaviour in public situations is apparently of the utmost importance for these people's identity. By particular behaviour consisting of being surrounded by a host of people, characterized by slow and quiet speech, people attempt to prove to others that they are especially noble, honourable and holy. How one wants to be seen and as whom one wants to be seen is perceivable through certain symbols in Indonesia, which are not merely limited to physical symbols (for example clothing) but which are also visible through certain behaviour. This behaviour, especially apparent at high-tea in international hotels, requires leisure time which not everyone has at his or her disposal. Another element which is absolutely *de rigueur* in Indonesian social circles, is that people should be greeted with great discretion and reserve. It is advisable to avoid becoming overly familiar with those individuals who did not benefit from a noble upbringing. In Indonesia one avoids establishing too close a relationship with people in menial positions. The latter would not want this kind of relationship either. People in menial positions are often not even treated like human beings. Seemingly courtly behaviour is supposed to reveal elevated status. What is considered to be crude in Europe, is not necessarily considered in the same way in Indonesia despite their lifestyle's emphasis placed on the subtleties of life. It is perfectly acceptable to discuss the cost of having watches made, the value of jewellery, clothing and cars, all in an endeavour in order to set oneself apart from others. Everyone is constantly trying to impress, it seems. When strolling through the malls it appears that besides consumption, leisurely strolling is characteristic of people's life. The pursuit of a noble lifestyle is typical of the new middle and upper classes and becomes especially obvious in malls – the spare-time destination, where well-heeled families are accompanied by a host of subordinates at a respectful distance.

C.3.2.2 Symbols of setting oneself apart

The car

Many readers will have their attention drawn for the first time to the enormous status-driven behaviour of Indonesian consumers, and will be able to compare it with their own society's wealthy people's behavioural patterns. For many people in Indonesia who are the proud owners of cars, there is yet another way to show off their exclusiveness and social power: an exclusive number plate. A considerable number of Indonesian car owners are interested in distancing themselves from the crowds of ordinary drivers by choosing a certain unusual, rare or lucky number for their license plates. This is by no means limited to members of the Sino-Indonesian minority. Furthermore, extremely expensive cars are bought as collectibles rather than as a means of transportation. Anyone who purchases a Ferrari or similar car (for example at the luxurious "AutoMall"[99] in Jakarta [see, DVD → Folder "Pictures"]) usually puts it in the garage to show it off to visitors and friends. With this, he/she wants to express that he/she can afford such an elegant, albeit pointless, car (not even the motorways would allow the use of a Ferrari due to the poor tarmac and notorious traffic jams in Jakarta). The car becomes the symbol of distance from mundane prosaic pragmatism (IK, October 2004). One's name or one's photo appearing in the newspaper or another publication (for example, because of one's car fleet) is tantamount to being awarded a medal, and bestows prestige on the recipient. Less well-heeled Indonesians living in areas far away from Jakarta try to add status to their cars and social standing by having their cars registered in Jakarta and then being able to own a number plate beginning with a "B" (which stands for Jakarta) and then impressing their local community (a Jakarta number plate implies being connected with power and money as well as the influence which comes with them) (observed and discussed in Banjarmasin and Ujung Pandang, April 2004).

The credit card

Someone from a noble background would never come directly in contact with money. Nobility is demonstrated by means of another person than the consumer paying the bill. Especially in particularistic societies, owning and showing off a credit card reinforces the worth of a person and exposes him as a member of the upper-middle and upper classes in front of hoteliers and business people etc. The person is deemed to be someone trustworthy to the institution, and as someone who has money at his disposal without his necessarily having it on him at the time. Moreover, credit cards are instantly visible to all and sundry when the wallet is opened.

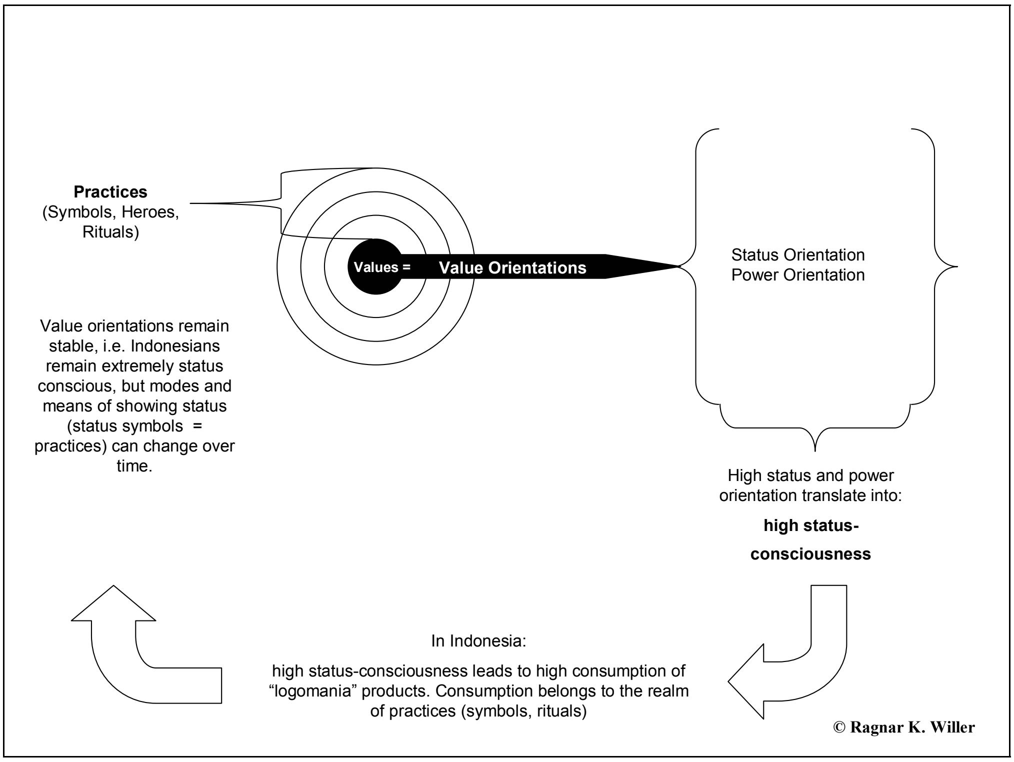
Clothes

Stringent dress codes are supposed to signify the lifestyle of these people. Fashion is characterized in a two-fold manner. Firstly their intention is to imitate others who have a role model effect. These role models include first and foremost people who wield social power and those from the social elite, and secondly they represent an endeavour to be distanced symbolically from those people with whom they do not want to be associated. Above all shoes are apparently an important symbol. Shoes in Indonesia today which inhibit movement such as high heels or leather shoes, are designed to demonstrate that the wearer is liberated from the need to perform physical or manual labour, as opposed to those who can only afford slippers.

The statements are summed up in the following figure (C-81). It demonstrates the consequences of a high power and status orientation in Indonesia, and how they will change over time. Start at the top left "practices" and read clockwise.

[99] http://www.agungautomall.co.id/aam-contact.html (17 November 2005)

Figure C-81 Status and power orientations over the course of time in Indonesia



The following quotes are excerpts from an article which was published in the Australian Financial Review (27 February 2004) and which shall explain pictorially the status-conscious behaviour of some leading examples of Indonesian society.

> *"By his own reckoning, Hotman owns 60 houses and 15 luxury cars, including a new-model Porsche, Jaguar and Mercedes-Benz. Around his neck is a glistening diamond he bought for US$150,000. Oversized opal rings adorn his fingers and a gold-encrusted watch and bracelet cover his wrists… Of his fleet of vehicles – which require the services of six full-time personal drivers – Hotman says his favorite is a new SL 500 silver Mercedes-Benz that set him back a cool Rp3 billion (US$470,000) [imported cars are subject to special import taxes which leads to the fact that foreign luxury cars are more expensive than palatial-like mansions in Indonesia]." (Financial Review 27 February 2004)*

Hotman has accumulated almost all of his extraordinary wealth since 1999, when he left a leading city law firm to start his own practice, aiming to capitalize on the new legal framework set up after the 1997 financial crisis. "Yes, it is a good life", he smiles, sitting in his luxurious office on the 18th floor of the Summitmas Tower in central Jakarta. "The crazy thing about people in Jakarta is that they believe the most expensive is also the most luxurious, so they just buy it", says Hotman, "But I work hard, I don't corrupt anyone. It's my sweat, so if I like it I just buy it – it's entertainment for me." And in that Hotman Paris Hutapea is anything but exceptional. In fact, he is only the most obvious example of Jakarta's new rich – a breed of 20, 30 and 40-somethings which has boldly rewritten the rules for wealth in the six years since Indonesia was plunged into economic and political chaos. As the country's economy edges towards recovery, the super-wealthy are now free to flaunt their affluence in a style unimaginable a decade ago – even though half of the country's 220 million people still live in poverty. The trend towards ostentation owes much to Indonesia's new political landscape; post-Soeharto governments have brought freedoms that were unimaginable under the dictator's 32-year reign.

> *"Before 1998, nobody was allowed to appear wealthier than the Soeharto family. It just wasn't acceptable… Now there are no restrictions like that, and you can see that the rich in Indonesia are comfortable to show it off." (Financial Review 27 February 2004)*

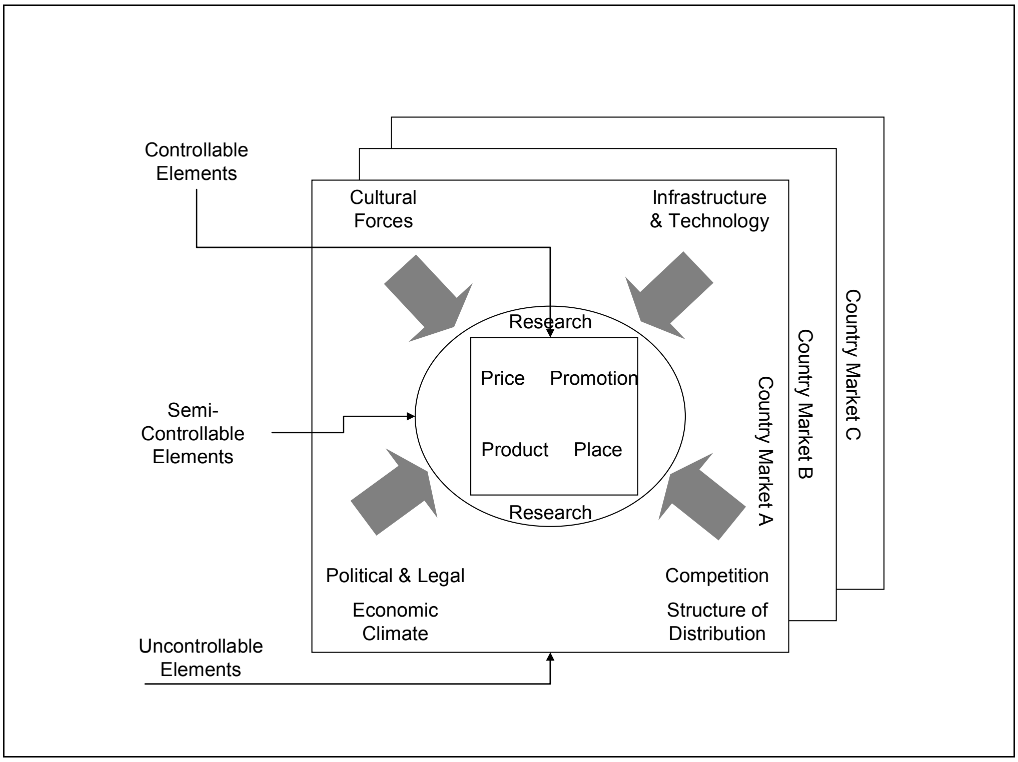
Nowhere in Indonesia is this new face of wealth more evident than in the steamy, swarming capital of Jakarta. Luxury apartments in Jakarta are selling as fast as they can be built, many for more than $US1 million. The overseas-educated children of the elite are opening Manhattan-style hip bars, and glitzy new shopping malls are opening at a cracking pace, catering to the eager-to-spend middle and upper classes. One of Indonesia's leading economists, Chatib Basri (speech, December 2004), says that while Indonesia's upper and upper-middle classes comprise only about 5 percent of the population that means that the country still has 11 million people with extremely high purchasing power. Perhaps the clearest sign, however, of the resurgent spending power of Indonesia's upper-middle and upper classes is the booming popularity of shopping malls, the staple of Jakarta entertainment and a favourite hangout for Indonesian to see and be seen. At least six giant shopping centres have opened in recent months.

After having described status behaviour in depth, the next paragraph is dedicated to understanding culture not simply as an element or factor of international marketing (as is the case in literature), but as the concrete context of all dealings, actions and thinking.

C.3.3 Culture as variable or context

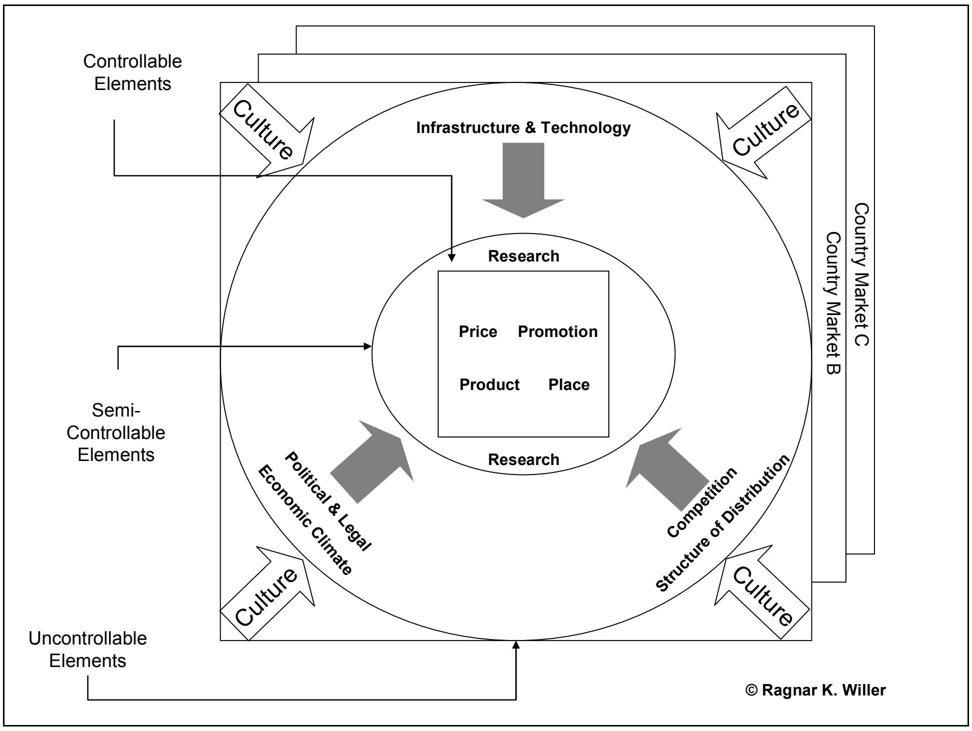
Consumer behaviour has strong universal components (psychology and economics), however its cultural variations cannot be ignored (Usunier and Lee 2005: 88) as they tend to influence the meaning and manifestations of consumer behaviour and make intercultural applicability of consumer behaviour concepts impossible (Usunier and Lee 2005: 96; Schütte and Ciarlante 1999: 92). As demonstrated for Indonesia, variations in consumer behaviour therefore cannot be linked solely with economic factors, such as per-capita income for example, but must be investigated in cultural determinants and be put into perspective according to their impact on society. Consumers and their needs are largely driven by cultural norms (Kotabe and Helsen 2004: 93). The great importance of culture as an influencing factor on consumer behaviour, as articulated in this work, is not acknowledged by business studies or its sub-disciplines, or is even suppressed (cultural ignorance) since cross-border marketing is already highly complex. Therefore, the culture phenomenon is often concealed for reasons of simplification (for managers culture seems to be too fuzzy and hard to come to grips with). In many companies, the opinion reigns that foreign markets and people should be subservient to domestic products and advertising initiatives (cultural imperialism). The reason for this is the lack of a systematic approach to these issues, leaving the decisions to intuition and prior experiences. Confronted with the complexity of international marketing, most managers feel overwhelmed (the unanimous opinion of INSEAD participants of "Marketing of consumer goods in Asia"-seminar, October 2004, Singapore). Decisions ought to be taken with the utmost care as, with international involvement, the demand for management abilities and skills increases. The fact that a company has to operate several markets or observe several countries does not only imply proportional multiplication, but also the potential for more effort and problems. Owing to cultural components, especially in negotiations (presence of varying cultures within the company) complexity takes on an additional emotional dimension, and conflict (intra-organizational) is nigh inevitable. If, however, culture were internalized not only as an element but as a context, and if the context's impact were appreciated, gaffes could be avoided. The following figure (C-82) demonstrates how the influence of culture as a success factor in literature and practice is indicated. Besides many other factors such as infrastructure, competition, political climate etc., culture is an equally relevant factor. Since these factors are considered uncontrollable by companies, they are thus described as uncontrollable elements, too.

Figure C-82 Culture as a variable



After the research conducted in connection with this work, this viewpoint of culture as being merely a factor appears reasonably to be unsatisfactory since the significance of culture is not recognized. Culture is not merely a factor but the context which influences all dealings, thinking and actions, as proven by this work. Companies have to come to terms and cope with this context. Therefore the following figure (C-83) appears more appropriate i.e. it reflects the complex nature of culture, and its role for consumer behaviour. Culture is no longer deemed to be an uncontrollable factor but as the context itself in the life world in which the consumer chooses, buys and interprets. This context (culture) is equally uncontrollable; however, those who are aware of the significance of culture can minimize the risk for the company. The following figure (C-83) replaces the previous one (C-82). Culture is now understood as a context and not only as a factor.

Figure C-83 Culture as context

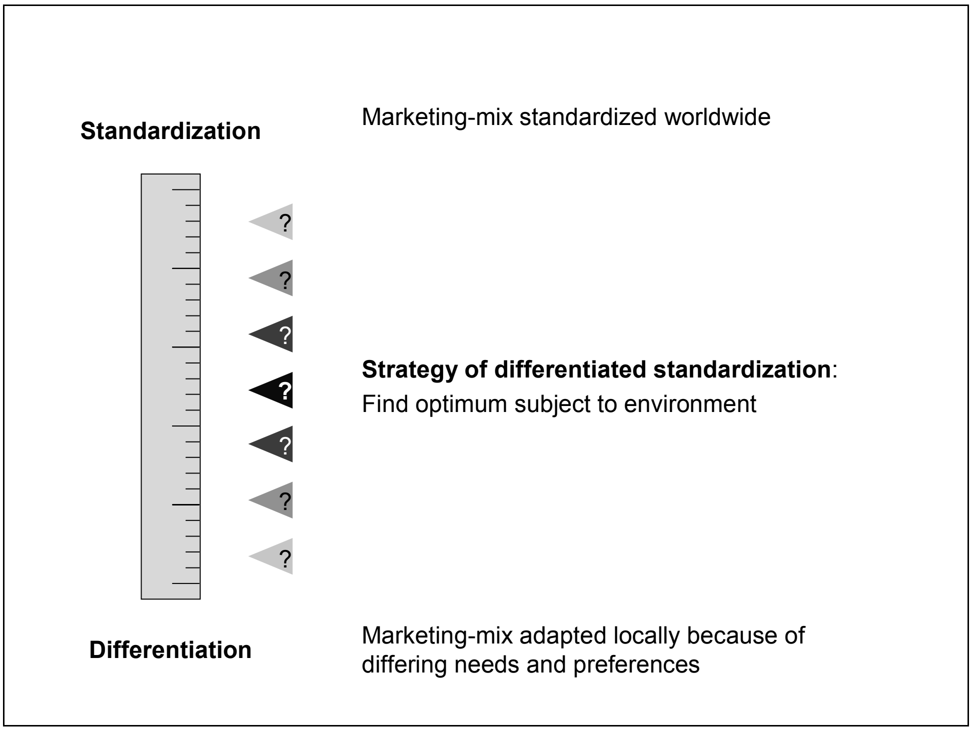


Owing to the great significance of culture, it is recommendable to carry out culture-appropriate differentiation, i.e. between the poles of standardization and differentiation to select a suitable strategy. The following paragraph will clarify this.

C.3.3.1 Differentiated standardization strategy

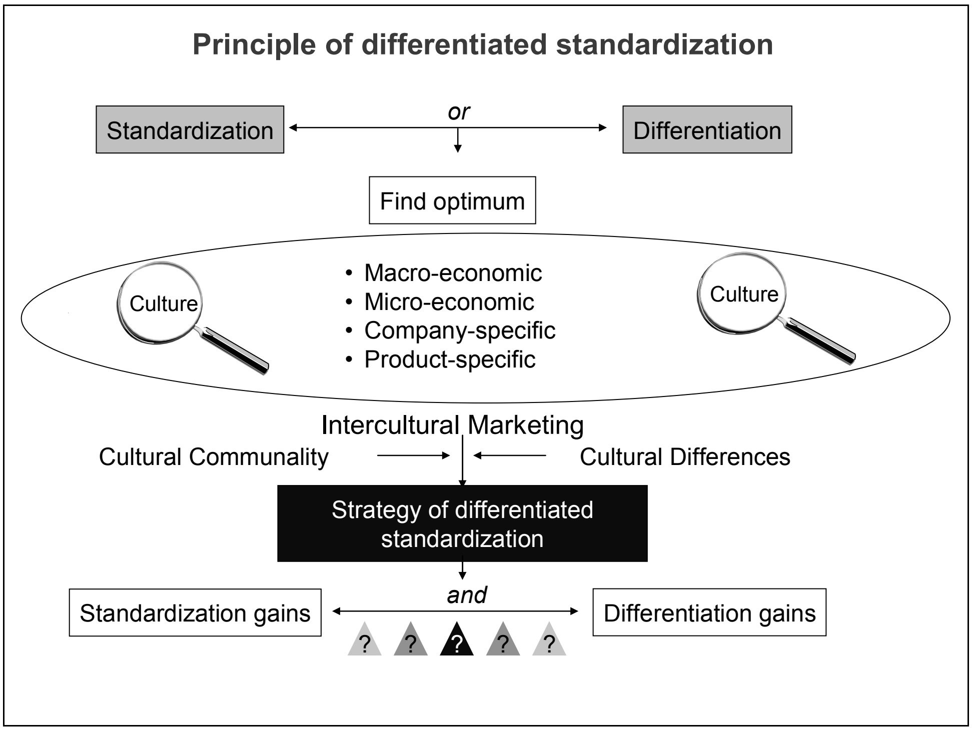
Based on the understanding that culture is the context of all action, it has now to be decided which strategy a company should follow in order to minimize the risks of an overseas operation.

Figure C-84 Between standardization and differentiation



It has been shown that companies have the opportunity when dealing internationally to standardize (standardization strategy) or differentiate (differentiation strategy), i.e. either to establish a global marketing mix and to adhere to it, or to customize it to local requirements. The strategy of choice which actually exists, will in time be denoted as a contingency perspective, i.e. the possibility to adapt exists, but is not an absolute necessity (opportunity and at the same time lack of urgency), but in order to maximize success rate, a strategy of differentiated standardization should be strived for. The following figure (C-85) will highlight this strategy. The variables of a perspective such as this are arranged on different levels, whereby one can differentiate between the following four: firstly a macro-economic level, which arises due to local economic developments, legal regulations, physical features and demographics. Secondly, the micro-economic level consisting of consumer particulars, the competition, and the structure of intermediaries (distribution system). Thirdly, on an internal-company level, where strategic basic orientations (de- or centralization of decision-making, relationship between parent company and overseas subsidiaries), property structure, knowledge of the market, experience with business overseas - are condensed. On the fourth level, described as product or branch specific level, product type, product life-cycle, culturally bound specifics of the product, the uniqueness of the product, how the product is used, and the foreign buyer's product knowledge can be found. All of these levels are embedded in the cultural level (culture as the context), which in turn affects all the other levels. This is depicted below:

Figure C-85 Differentiated standardization (adapted from chartbook, Müller and Gelbrich)



Many global companies have become aware of the fact that people are not the same across countries and that they are not becoming the same either. Currently, in Southeast Asia one can see pan-Southeast Asian advertising campaigns slowly turning into local campaigns (implementing a strategy of differentiated standardization) (for example: Mercedes-Benz and Me)[100], obviously because global or regional campaigns did not work.

[100] http://www.asiadma.com/adma/resources/newsitem.asp?NewsID=100064 (17 November 2005); http://www.mercedesbenzandme.com/global/index.php (12 November 2005)

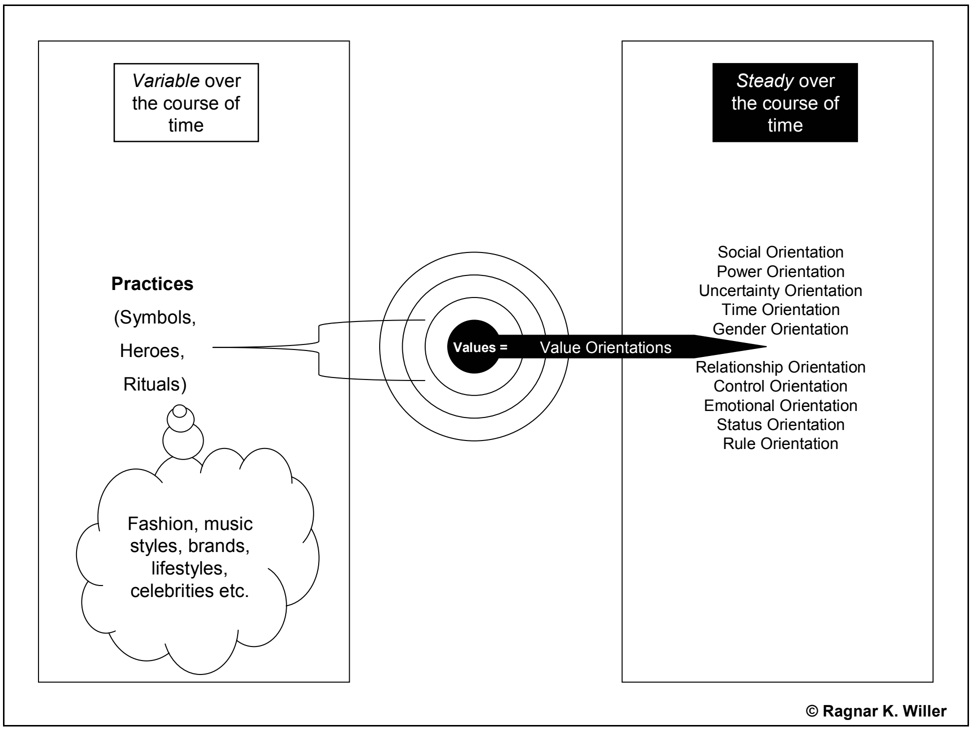
Figure C-86 Regional (Asia-Pacific) campaign Mercedes-Benz & Me (online campaign of the year)

Screenshot of online campaign of Mercedes-Benz & Me, Indonesia

In Part C the reasons for the failure of these global marketing campaigns were elaborated in detail. Even Marlboro, the quintessential global advertiser, has localized its brand portfolio with the take-over of Sampoerna since its own brands were not able to penetrate the Indonesian market successfully. Coca-Cola, for example, localized its product development and marketing communications. Anyone who is familiar with the Coca-Cola vending machines in Japan and South Korea would have to admit to what extent Coca-Cola has adapted to local challenges in these markets. The traditional Coke is frequently unavailable in vending machines operated by Coca-Cola there, besides a variety of chilled teas, coffees and lemonade beverages. Marketing and advertising are basically about consumers, and not producers. Markets are people, not products, one can reasonably summarize. There may be global products, but there are no global people. There may be global brands, but there are no global motivations for buying those brands. Research revealed that the reasons for young people buying global sports brands for example, differ a great deal worldwide (see for example: Holt, Quelch, Taylor 2004; Quelch 2003; Raman, Thompson, Aaker, Manwani, Clift, Kotabe 2003; Yankelovich and Meer 2006).

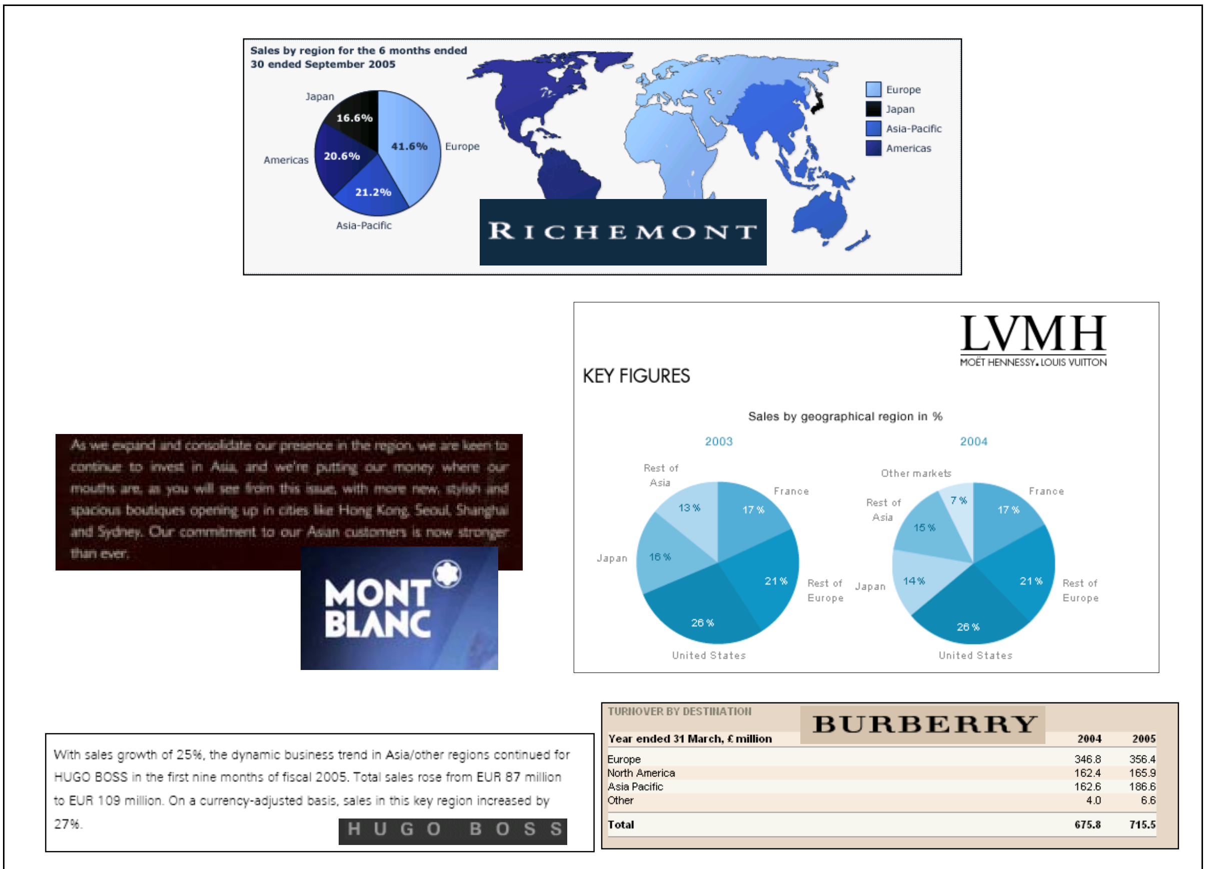
To return to the integrative, multidimensional analytical diagram of intercultural marketing, these trends can be illustrated in the following way (Figure C-87). In the middle of the following figure (C-87), the known structuralist model of culture (whose outer layers [rings] distinguish visible elements of culture and the innermost layer [values]) differentiate the ten orientations) (researched in the case of Indonesia) can be found. The latter are pictured on the right and denoted as steady over the course of time. On the left hand side, i.e. depicted as unstable over the course of time, are the visible elements of culture, also described as practices (symbols, heroes and rituals). For example music styles, fashions, celebrities or various lifestyles can be subsumed to these practices. These change over time - an unquestionable fact. A clothing style which is considered to be modern today may be outdated a year later. Owing to this, the outer layers of the culture model are to be understood as unstable, i.e. as variable. Outer changes in the visible layers of culture do not reflect changes in the innermost layer, values or value orientations, since they are stable.

Figure C-87 Variable versus steady elements of the structuralist model of culture



In an extremely status-oriented society, which, for example, has a high power and status orientation, there will always be the desire from the consumer to be separated and distanced from other social strata. The means of distancing oneself, for example by purchasing certain goods, may change over time, but the desire to be different will remain the same, as reflected by the high status orientation. It may be true that consumers use goods in many transitional or developing societies to symbolize modernity or their ability to participate in an apparently global consumer society but which has a rather glocal conformation. However, the idea that consumers' conspicuous consumption of status symbols is a frequent by-product of economic development, does not appear plausible. This is because conspicuous consumption, the acquisition and visible display of luxury goods and services to demonstrate one's ability to afford them, is first and foremost a sign of high status and power orientation in a society where the need to be different from others exists permanently. If this need did not exist, then people would refrain from buying certain status goods (these would not even occur to someone owing to the low status orientation). If status orientation were pronounced, then more status goods would be purchased. This observation is also the reason why European luxury concerns target in particular the strongly status-oriented Asian societies to make the most turnover, as can be seen in the figure below (C-88).

Figure C-88 Turnover by selected luxury goods companies by geographic region



Source (20th Jan 2006): http://www.hugoboss-group.com/pdf/QB3_2005_en.pdf; http://www.richemont.com/investorinfo/index.php; http://www.lvmh.com/

It may be true that many of these countries are less developed than the USA or many European countries, but the latter's score is rather low on the status orientation. The decisive differences can all be traced back to cultural reasons and show that the concentration, expansion, and internationalization of the consumer goods industries, the growth of affluent consumer segments in every nation, democratization, loosening of class boundaries, and a quickened flow of information through the commercial media, all contribute to global market expansion but that these developments have not led to the development of a globally homogenous consumer culture. With this ascertainment this discussion will now proceed to the practical section, Part D.

D PRACTICAL SECTION: FEYSEN[101] BUSANA MUSLIM - RECONCILING THE GLOBAL-LOCAL DILEMMA BY MEANS OF UNDERSTANDING CULTURAL PECULIARITIES

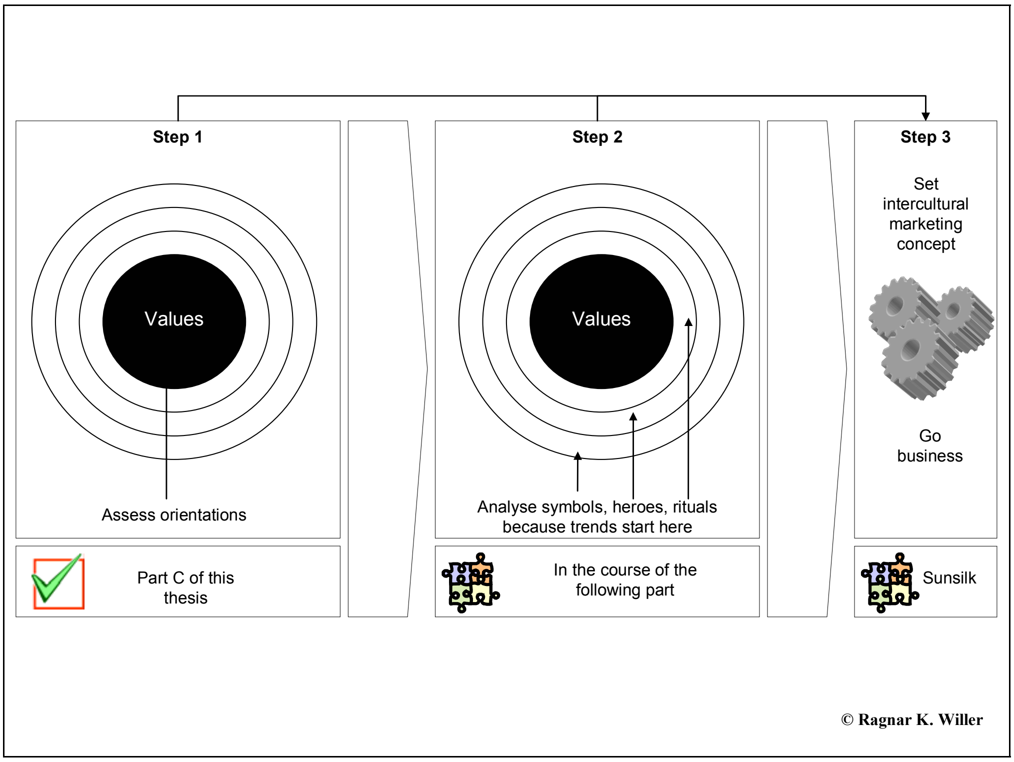
Summary Orientation to practical applicability of research is important, specifically with the objective of making the cultural insights on consumer behaviour and marketing (which were researched in the framework of the integrative, multidimensional analytical diagram of intercultural marketing) available. The purpose of this case-study is firstly to explain by means of example which solutions globally-operating companies in foreign cultural contexts have at their disposal to diffuse the dilemma between global marketing strategies and local consumer behaviour, and secondly to demonstrate how a company can successfully confront changes in intercultural practices (outer ring of the structuralist model of culture) i.e. how it can exploit changed consumer needs to its advantage. The case-study reveals how a company - in this case Unilever Indonesia - can continue to be relevant for local consumers in a changed cultural environment, (the outer layer of the structuralist model of culture) via local adaptation of a global brand and its product portfolio. The case-study makes clear that companies need not refrain from the seemingly uncontrollable element "culture" in the marketing environment, but should embrace culture elements in the sense of intercultural marketing in order to optimize company success, provided the company has the necessary expertise at its disposal to assess the cultural environment in the respective target markets. The case-study shows that the knowledge gleaned from the integrative multidimensional analytical diagram on the respective society or group and its culture (step 1) can not replace a differentiated knowledge of the practices, the outer rings of the structuralist model of culture (step 2). This second step will now be taken on the basis of this field study.

D.1 COURSE OF ACTION

After having presented and discussed the analytical diagram which deals with the inner layer of culture (structuralist model of culture), the analysis of the Indonesian market sphere will be resumed, in which the three outer rings or layers of the structuralist model of culture, practices (symbols, heroes and rituals) will be examined more closely with the aid of this case-study. This is necessary as alone knowledge of the country-specific orientations is inadequate to implement successful intercultural marketing strategies. The reason for this is that although the orientations provide important insights into the cultural and social environment of a market, into how consumers generally deal in society, and how they must be addressed from an advertising viewpoint, the analytical diagram reveals neither information concerning respective trends in the target country nor product or market preferences which, in addition, underlie short term changes. Intercultural marketing strategists have to develop short to mid term strategies to win new consumers profitably and competitively after having analyzed and internalized certain consumer attitudes and behavioural patterns. The figure (D-1) explains this interlocked procedure.

[101] Feysen Busana Muslim: Muslim clothes fashion; Fashion, or "feysen" (Jones 2003: 187) as it is called in Indonesian.

Figure D-1 Procedure overview (Part C and D)



It can be confirmed that step 1 has been completed for Indonesia. In the course of this practical section, the social mixture (life world of consumers) will be analyzed in step 2 before step 3 will focus on the product developed by Unilever and its market launch. In step 1 the orientations were analyzed, and how the respective bias of the orientation influences consumer behaviour, and how marketing should react to it were also analyzed. In step 2 how practices changed over time will be analyzed via the re-Islamization example. How a company can react to such changes in practices will be shown in step 3 in the Sunsilk case-study.

D.2 SOCIAL MIXTURE[102] – PART OF THE "PRACTICES" AND SOURCE FOR INTERCULTURAL MARKETING

D.2.1 Preliminary remarks

The following chapter serves as an introduction to the social mixture with which Unilever Indonesia is confronted. The term "social mixture" represents practices - symbols, heroes, rituals - (the outer layer of the structuralist model of culture). This starting position led the concern to develop a new product within the Sunsilk global brand range. Case studies normally do not commence with a detailed presentation of the local social and cultural situation. However, since this work aims to demonstrate a novel approach which embraces the understanding of foreign cultural aspects, the cultural factors will be dealt with

[102] English for: soziale Gemengelage.

properly. Moreover, these cultural factors are the springboard of Unilever's strategy. Besides culturally pertinent insights, this work also reveals the following: while culture helps to understand a society's consumer behaviour (as outlined in the analytical diagram), the reverse is true as well: observation of a society's consumer behaviour illuminates aspects of culture. In the case of Indonesia, the transformation of clothing behavioural trends (which provides conclusions concerning behaviour in the analytical diagram) among Muslim Indonesians will be analyzed in the context of re-Islamization.

D.2.2 Re-Islamization in Indonesia and its ramifications on consumers

D.2.2.1 The new Islamic middle class: The target group of the Unilever Group

The social groups, often known as "The New Rich in Asia", "bourgeoisie", or "middle class", which have benefited from the process of economic transformation in many parts of Asia, and thus expanding in scope, have aroused the interest of various scientific disciplines since the 1990s (for example: Becker, Rüland, Werz 1999; Gerke 1995; Gerke 2000; Gerke and Evers 1999; Horstmann 1997; Robison 1995; Sen and Stivens 1998; Robison and Goodman 1996; Chua 2000, 2003; Loh 1998; Pinches 1999; Tanter and Young 1990). What is conspicuous is the focus of many of these works, namely their preoccupation with how this social group finds a way to create a lifestyle and a stratum-specific identity with the aim of distancing itself from other social groups. One of these methods is the consumption of goods, the use and display of which are designed to manifest lifestyles and to invent identities.

In the 1990s the Indonesian population found themselves in the midst of radical transformation processes, caused by high economic growth and its accompanying changes (employment structure, level of urbanization) (Wie 2002: 194-242). For the first time the proportion of the population in the primary sector fell to below 50%, whereas employment in the especially profitable secondary sector rose rapidly (Robison 1996: 79) as a result of direct foreign investment. This created wealth was apparent outside the economy, e.g. in the construction of luxurious apartment buildings (Appendix 1, Figure 253-285) and huge shopping centres (Appendix 1, Figure 288-297) (Dewanto und Uning 2003: 52-53), as well as the registration figures of motorbikes and automobiles (Robison 1996: 80). Owing to the economic upturn and the induced social metamorphosis, in the 1990s various means of creating an identity had emerged, which, owing to the economic, political and social crises in Indonesia underlay a further transformation, which endowed religion and its symbolism a greater role in the construction of identity and process of distinguishing oneself from others.

In 2006, almost a decade after the end of the Soeharto regime and the induction of democratization and liberalization of the country, it can be observed that Unilever's target group is the members of the new Indonesian middle class. This middle class was partly robbed of its material wealth as a result of the

Asian crisis; it relies heavily on religion and no longer shows its belonging to a social level exclusively through western consumer goods, fashion and brands. This transformation in evaluative behaviour, and the need for extreme piety, do not exclude the profane world of consumption, media and advertising. Even globally-operating companies, so often accused of myopia when it comes to cultural differences, respond to this increased piety among the Indonesian middle class with Islam-customized products and advertising campaigns. An analysis of lifestyles in the new Indonesian middle class and its comparison in the course of time, enable crucial societal diagnostic statements to be made which intercultural marketing can fall back on when deciding on strategies.

Globalization, the Asian crisis and its repercussions on the Indonesian middle class

Diverse globalization processes have influenced the Indonesian middle class and its life planning since the mid-nineties and culminated with the 1997-98 crisis (for example: Anata 2000: 3-27; Schwarz 1999: 49-70). On the one hand, market internationalization and increased domestic local competition in Indonesia led to transfer of production to cheaper countries such as Vietnam and China (Nguyen und Richter 2003: 1-14). Furthermore the foreign direct investment (FDI) which had improved the employment situation waned significantly (Trinh 2005: 2-38). Pressure on Indonesian working class society increased and rapidly escalating unemployment in the well-educated middle class led to crises. Booth (2000: 147) explains:

> *"… the middle-classes in urban areas had taken the brunt of the crisis, and that young, relatively well-educated workers had suffered far greater income declines than the least educated and poorest workers in rural areas." (Booth 2000: 147)*

Booth (2000: 154) continues: "By mid 1998, it was frequently being asserted that krismon was primarily a crisis affecting urban Java, …, the outer Islands … were actually benefiting from the effects of massive Rupiah devaluation". The often university-educated middle class did not have the option of returning to their villages and looking for agricultural employment, as did the less well-educated migrant labourers who had become unemployed in the crisis (Jellinek 1999: 2, 6). Jellinek (1999: 2) resumes: "While the lower middle classes in Depok[103] are unable to feed their children, rubbish recyclers are still able to feed themselves and save money to send back to their children in the village". She adds: "Their advantage is that they have a foot in the city and a foot in the village" (Jellinek 1999: 6).

Furthermore the general worldwide interconnectedness of institutions, countries, companies and individuals via information and communication technology leads to social alienation due to resulting dependence and acceleration of social exchange (Beck 1997: 61-114). During the crisis, the new middle class realized increasing volatility of circumstances due to social, political und economic events which were difficult to predict. Besides the increasing uncertainty, the Asian crisis destroyed the financial basis

[103] District in Jakarta.

of the new middle class (Manning and van Diermen 2000: 143-144). Jellinek (1999: 6) explains: "The middle classes who have lost their jobs in advertising agencies and mega-malls are copying the survival strategies of the poor". In the end the former winners of globalization, i.e. the members of the middle class, became victims of globalization. They were robbed of their material clout. Jellinek (1999: 2) adds: "Good solid houses, once stocked with consumer goods, are now empty. Most possessions have been sold".

In this new fragile social and economically volatile situation which disillusioned the middle class, the Muslim members in it lent heavily on religion, which increasingly became an identity indicator of the new middle class (Heryanto 1999: 173-176), a phenomenon which was avidly followed by the Indonesian press. Heryanto (1999: 175) reports the following:

> *"Collective prayers, Ramadan-dining in fancy restaurants and Islamic education among top business executives, state bureaucrats, rock singers, movie stars and other celebrities have become regular cover stories in today's media industry." (Heryanto 1999: 175)*

The Asian crisis, with its accompanying scarcity of material means necessary for consumption, led to the middle class turning increasingly to other symbols (outer layer of the structuralist model of culture). The community spirit, constructed as a result of consumption, disappeared since consumer goods had to be sold owing to a shortage of money, and were not able to be replaced. The symbols of belongingness (consumer goods) which had previously been affordable, ceased to be so for the new middle class. The marginalized middle class tries to inoculate itself via an idealized lifestyle against social transformation processes with the aid of religion. Evers (1991: 99) points out that religious renaissance is often a mechanism to reduce the fears provoked as a result of the social and economic pressure and distress originating in modernization.

Crisis experience and religious renaissance

Religious adherents aim to avoid or conquer crises (risks, dangers) whenever they arise. Riesebrodt (2001: 47) sums it up thus: "Crises pose a major impetus to carry out religious work" („Krisen stellen einen wesentlichen Antrieb religiöser Arbeit dar", translation by author). Here it implies less natural catastrophes or physical human breakdowns: rather it means social relationship crises or identity crises (Riesebrodt 2001: 42). The urge for significance and sense of purpose on the part of mankind is abundantly apparent in times of crisis, the breakdown of social, moral and cognitive structures, and when people are confronted with their helplessness and impotence, as was the case in the multidimensional 1998 crisis in Indonesia. Indonesia has suffered a great deal of disillusionment with democratic liberty since the fall of the Soeharto regime. Furthermore, in politics, characters with integrity are scarce, and that is why those with charisma are extremely popular, such as Abdullah Gymnastiar (Diederich 2003: 53).

Religious armoury allows coping with life's disappointments in an unknown, modern, pluralistic world, when everyday control is removed and thus, supra-human power is required. As in many countries, a renaissance of Islam is perceivable in Indonesia as well (Evers und Siddique 1993: 1; Hefner 1998: 1-40; Rahardjo 1992: 248-273; Schreiner 2001: 157-179; Stauth 1996: 7-9; Ufen 2004: 15-21). Ende (1983: 6) explains that since the seventies, a process of re-Islamization has been observable in social, cultural and political regards. Houben points out that (2003: 162-164): "… Islam became more publicly visible and articulate as the societies of Southeast Asia went through an era of rapid modernization." Modernization did not, as originally expected, lead to a decline in religion. Evers and Siddique (1993: 1) elaborate:

> *"Social scientists long assumed that religion would fall victim to the process of rationalization and modernization… Evidence against these interpretations is the dramatic development of religious and primordial movements world-wide." (Evers and Siddique 1993: 1)*

The reverting to Islam had already set in owing to political motives in the early 1990s (Houben 2003: 164), i.e. long before the Asian crisis in 1998. The crisis did, however, accelerate the trend. A reverting to Islam nowadays is not apparent in religious circles; rather it leads to a change in lifestyle on the part of Muslims within the new middle class. Islam today appears to play a far greater role in many areas of life. Additionally, a renaissance of ethnic identity is generally perceivable in Indonesia (Hoon 2004: 13).

The new middle class, with its lifestyle and consumerism habits imported from the west and from industrialized East Asia, changed evermore in the direction of Islam and has extended to date to a lifestyle based on consumption. As early as in the 1980s, interest in Islamic teaching in Indonesia was spreading, since the Soeharto regime saw itself required to co-operate increasingly with Muslims in order to stabilize its own power (Houben 2003: 158-159; Dahm 1999: 248). With the introduction of a parliamentary democracy and the founding of Islamic parties and organizations after Soeharto stood down, Islam has become a significant political power (Ufen 2001: 181).

Repercussions of Re-Islamization on the target group's consumer behaviour

This change to Islamization is not only visible in religious or political life but also in everyday consumption. For example goods which respect Islamic instructions are being bought more (Halal food) or Islamic services are being enlisted (Islamic Banking). Furthermore, the demand for goods which reflect and document one's own (partly new) religious piety is on the rise. Here, short life cycle consumer goods are meant such as special shampoos for women observing Islamic clothing regulations (Appendix 1, Figure 239-253) or the so-called Mecca cola (Appendix 1, Figure 23) (which is placed in opposition to American Coke) or alcohol-free beer intended for Muslims (Appendix 1, Figure 16). Furthermore, technological products such as mobile phones equipped with software specially designed for Muslims, and which, for example, have prayer reminder tones or electronic compasses, are enjoying great popularity. Architects who design shopping centres or residential complexes also include Arabic stylistic elements. (Appendix 1, Figure 292). Even consumerism (conspicuous consumption) and the often extremely wasteful pseudo-Islamic behaviour of the Indonesian elite (for example van Leeuwen 1997: 339-359) are rather justified with the virtue of "ibadah" (love, humility to God in the sense of embellishment of the world for example via consumption (MP, interview December 2004).

Re-Islamization or reverting to Islam is, however, especially apparent in choice of clothing (Champagne 2004: 14-23). The "jilbab" (Indonesian name for the Islamic veil worn by women) is a case in point. It has spawned a whole fashion industry since the reverting to or revival of Islam. Champagne (2004: 15) explains: "The jilbab, the most visible part of a complete Muslim outfit, is a relatively recent phenomenon in Indonesia". This phenomenon will shortly be elaborated on in light of product development at Unilever Indonesia.

The Jilbab: initiating link to product development

Stereotypical images of Muslim women covered from head to toe in black have been replaced in Indonesia by images of fashionable ladies clad in bright, opulent colours. In Indonesia, Islamic clothing is considered by the new middle class to be chic (Appendix 1, Figure 239-252). Indonesian women, especially members of the new middle class are starting to choose to complement their apparel by wearing a veil or a tunic (Champagne 2004: 15; Kompas 2004: 56). The afore-mentioned, however, is colourful, in vogue and frequently very figure-hugging. Many expensive stores (for example Pasaraya Grande, Blok M)[104] reserve whole departments for fashionable, Muslim-evocative clothing, and many boutiques (for example Butik Labello) offer a wide range of veils and matching clothes (Appendix 1, Figure 239-252), which are celebrated as *le dernier cri* thanks to fashion magazines such as "Noor"[105] and "Ummi"[106] (Handayani und Soelaeman 2005: 18). "Islamic dress has gone upper-class", Champagne emphasizes (2004: 17). Headscarves made by renowned Indonesian designers usually cost from Rp800,000 to Rp1.8 million (from circa €80 onto €180)[107] (Handayani und Soelaeman 2005: 18).

[104] http://www.pasarayagrande.com/ (12 August 2005)
[105] http://www.noor.co.id/default.asp?l=1 (19 November 2005)
[106] http://www.ummigroup.co.id/?pilih=lihat&id=101 (19 November 2005)
[107] http://www.x-rates.com/calculator.html (12 August 2005)

Figure D-2 Islamization trends in product development

Although Indonesians opt for a relatively liberal form of Islamic clothing regulations, more and more women are wearing veils, even if tailored to local peculiarities and preferences (Raleigh 2004: 1-12; HP, interview December 2004; RS, interview December 2004). The same applies to men, with Islamic-looking, often decorative tunics becoming ever more popular, even if worn mostly during Ramadan, and being considered as hip since they are even worn by "MTV Indonesia" hosts. Wearing Islamic clothing is a new development and had negative connotations associated with the stigma of militant opposition during the Soeharto regime. The veil in particular was seen by city dwellers as old-fashioned, antiquated and linked to rural living at that time. Soeharto tried to have dominion over the influence of Islam in a multitude of respects. Clothing was paid particular attention as was the veil, which was mentally associated with the Iran revolution and which became a symbol of local Indonesian resistance to the Soeharto regime (AS, interview December 2004). Furthermore wearing a Jilbab was forbidden in public service or schools till the 1990s although it was of course seen as a religious symbol. This ban was only lifted when Soeharto, at the beginning of the 1990s started to co-operate with Muslims, with a view to stabilizing his own power (Houben 2003: 164). Soeharto even began to manipulate religious symbols, forms and ceremonies. For one, Soeharto attempted to confront the problem of a too small power-base, and secondly to confront growing criticism, which was the reason behind his pursuit of closer contact with Islamic clerics (Dahm 1999: 248; Houben 2003: 158) Houben (2003: 158) explains:

> *"Around 1990, a turnaround in state policy occurred, and against the opposition from army circles, Soeharto began to court Islam to strengthen his own power base." (Houben 2003: 158)*

Furthermore, at the beginning of the 1990s Soeharto and his family gave the impression of having converted themselves into a religious, pious Muslim family, participating in Islamic rituals and ceremonies. At its peak, this façade included the first family making the pilgrimage to Mecca, which was observed with keen interest by the media and the Indonesian people.

After the pilgrimage to Mecca, Soeharto's eldest daughter Siti Hardiyanti Rukmana (Tutut) in particular, took to wearing a kind of headscarf in public. This headscarf, which served as a kind of loose veil, contributed to the veil's status as a fashion item. Her decision to wear a Jilbab became a role model for the entire nation (Champagne 2004: 19). Indigenous fashion designers[108] as well as the textile industry took the lead from Tutut's style. Some of the veils or headscarves manufactured by the local fashion industry were only affordable to the country's elite owing to their being decorated with pearls and diamonds (MP, interview December 2004). It is notable that this fashion trend originated in Indonesia where local producers manufacture the clothes. High demand on the part of the new middle class led, however, to mass production of veils imitating the Indonesian designers' luxurious versions (MP, interview December 2004).

The Indonesian Jilbab increasingly became an integral part of Indonesian clothing, and an absolute must. It must be noted here, however, that the Jilbab that became popular in Indonesia was a colourful, often bejewelled veil, and not the sombre, black, conservative Arabic equivalent (the "Jubbah"). Firstly, the latter was associated with Saudi Arabia, and secondly with the migrant work force, with which the new Indonesian middle class did not want to be associated. Another form of the Indonesian veil is the "Jilbab gaul" or the "hip Jilbab", which is far removed from the idea of veiling for religious reasons. The aforementioned veils are eye-catching, colourful and sometimes transparent scarves, which can be worn as a kind of hat. In this way, a kind of selective adaptation took place, which can, in this context, be described as hybridization. Yamashita, Din and Eades (1997: 5) explain:

> *"In the present era of globalization we observe that translocal phenomena have been developing in almost every dimension of our lives and have resulted in the 'creolization' or 'hybridization' of culture' ..." (Yamashita, Din and Eades 1997: 5)*

The Islamic veil entered the fashion arsenal of many Indonesian women in its local, hybrid adapted form. More and more women are today deciding to choose to wear veils, even though the reasons for doing so are not always religious, but often fashion-motivated. Amrih Widodo explains that the contemporary Islamic Jilbab has become a symbol of lifestyle, and part of the consumerism trend, through which one's own identity can be constructed as a result of purchasing (Champagne 2004: 18). She adds:

[108] http://www.thejakartapost.com/review/feat11.asp (3 December 2005)

> *"They are part of the consumerist trend of defining or displaying one's identity though what one buys or wears; they reflect a desire to express religious identity while also being cosmopolitan and modern." (Champagne 2004: 19)*

Those women who purchase one would like to express their religious identity with the aid of the Jilbab, but at the same time want to express their fashion sense and their pertaining to a social stratum. The veil thus becomes the expression of taste and class, but however loses religious significance. The decision to wear a veil is situation-dependent, i.e. it is discretionary and elective rather than being mandatory, and depends on what the wearer wishes to present (AS, interview November 2004).

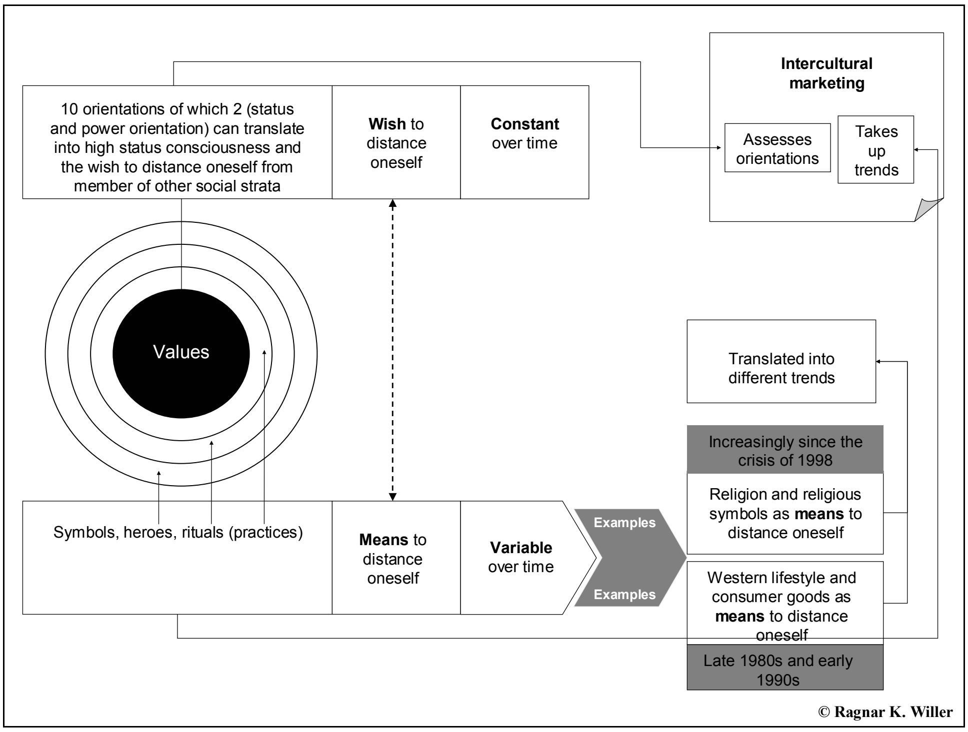
Figure D-3 Examples of "Feysen Busana Muslim"

The increasing trend to veil doubtless reflects a reverting to Islam. Without it, the trend would never have come about. The decision to be veil-clad is, however, for many women a question of the desire to express religion, fashion and, in Indonesia, lifestyle too. It is both a symbol of differentiation and religion. Additionally, Indonesian women show three disparate directions with their clothing: to Indonesia, the west and the Arabic world (MP, interview December 2004). This new way of dressing enables women to experiment and to create a new hybrid identity in a country in which Islamic clothing was long considered to be antiquated and backward.

The use of the veil, observance of religious symbols and the pilgrimage to Mecca are powerful means by which Indonesians present their authenticity as Muslims. It can also be understood as an experimental way of dealing with one's own modern identity. It becomes clear that global transformation processes do not produce exclusively culturally homogenous consequences, but instead they produce very locally influenced results (selective adaptation) and lead to the phenomenon of glocalization. Additionally, it becomes apparent that over time, symbols and modes of distinction alter, but not necessarily the pronounced need in Indonesian society to distance oneself from other social groups or strata (status and power orientation).

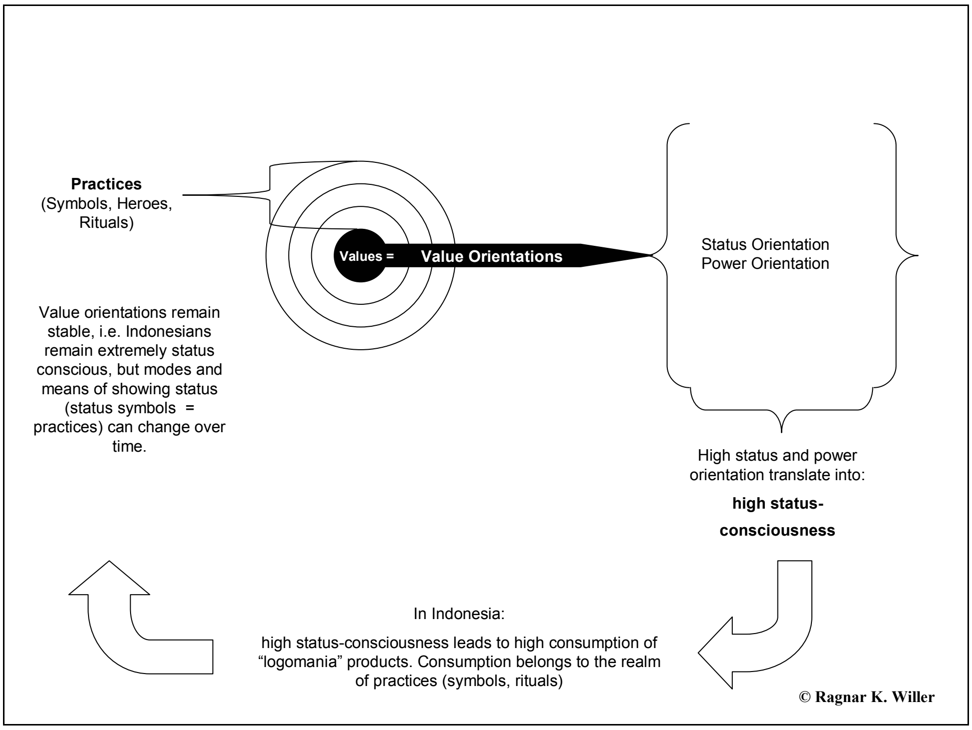
The following figure (D-4) will summarize the previous statements and will clarify them pictorially. The core of the structuralist model of culture (shaded black), i.e. the values or value orientations, comprises two orientations deemed significant in the Indonesian context which determine Indonesian cultural and consumer behaviour definitively. These are the status and power orientation. The noticeably high score on both orientations leads to status-conscious behaviour, in which the need to set oneself apart from others dominates. This need has proven constant over time. The means by which one can be set apart from others is reflected in the structuralist model of culture in the three rings shaded white (practices), but are, however, unstable (variable) over time. Two examples (shaded grey in the diagram) show this clearly. In the 1980s and early 1990s this need to be distanced from other social strata was expressed primarily via consumption of western products and brands. Over time, however, this trend changed. The end of the Soeharto regime and the entry into the multi-dimensional crisis situation in 1998 meant that intensified religious symbols, even in the form of consumer goods, were used to satisfy the need to be distanced from others. Intercultural marketing has to absorb these trends and translate them into the development of worlds of products and brands in order to operate successfully.

Figure D-4 Orientations and practices over the course of time (1)



The second model processed in this context is the following. It is to be read clockwise and starts at the top left with practices. It is a recapitulation, included for reasons of simplification and completion.

Figure D-5 Orientations and practices over the course of time (2)



D.2.2.2 End of the theoretical introduction and transition to the corporate reaction to the Re-Islamization trend in Indonesia

As demonstrated, the veil has come to play a greater role in modern Indonesian society for a multitude of reasons. For personal care product manufacturers such as Procter & Gamble or the Unilever Group which market their goods under the names of global umbrella brands, this can lead to threats and opportunities in the market. Threats arise because wearing a veil leads to less consumption of shampoo and hair products, since hair under the cover of the veil is less exposed to the public, or is simply not visible. This fact could lead to heavy turnover losses for shampoo manufacturers, if, for example, the female population reduced its daily use of shampoo to two or three times a week. Generally, Indonesians wash their hair at least twice per day because of the heat and pollution. A change in the usage frequency would cause shampoo sales to be more than halved immediately, which in a volume market such as Indonesia, would lead to massive losses. Shampoos offered to date would no longer be able to satisfy the needs of the consumers, who could demand shampoos with other stronger conditioning ingredients since they were wearing veils. In this case, loss of market and turnover share would be the result, too. A further threat could be the growing feeling in society that Islamic or Islamic-leaning products should be bought from manufacturers who appear to respect Islam, religion and the culture of the market and not from manufacturers considered to be foreign and un-Islamic. A company with an un-Islamic profile would have to face great loss of image, which in turn would lead to market share and turnover loss. The aforementioned threats are also to be seen as opportunities or challenges. Thus, a shampoo specially designed for veiled women's needs could be a unique selling proposition (USP). Furthermore, the creator of a shampoo like this would be the first to offer a shampoo of this kind worldwide, and the concept developed in Indonesia could be transferred to many other countries where veiled women influence everyday life. Even the image of the company and the brand name under which such a product was operated would develop, and the image of a company reacting to local, social trends would arise (increased credibility).

D.3 CASE-STUDY

Summary The extensive presentation of the case-study was conceived for its application and use in classroom as an example for developing strategies upon changed practices on the one hand, and on the other hand, to use the case study to investigate the company's reaction to the 1997-98 crisis on the basis of given questions. These questions and further references are provided on the enclosed DVD. (Images in this section, courtesy of Unilever).

"Unilever's deep roots in local cultures and markets around the world are our parallel inheritance and the foundation of our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers – a truly multi-local multinational." (Unilever Malaysia)

D.3.1 Setting the context

Since the 1990s many western multinationals have been faced with the prospect of overcapacity in their home territories, a fact which has prompted various large corporations to diversify their investment portfolio away from their saturated home markets toward the establishment of operations in the developing economies of the Asia-Pacific region, notably in Southeast Asia. Developing and emerging markets (D&E) present huge opportunities as 95 percent of the increase of the world population will take place in the developing world and at the same time population stagnation or receding will occur in industrialized countries, which leads to the fact that by 2010 nearly 90 percent of the world population will live in developing and emerging markets where the combined purchasing power will exceed that of the developing world. The rising per capita incomes give disproportionate growth in per capita consumption to companies operating successfully in these markets. The following figure[109] (D-6) highlights these important findings.

[109] All slides courtesy of Retno Rustanti, Unilever Indonesia.

Figure D-6 Opportunities in D&E markets

Owing to these developments, FMCG companies are increasingly reaching out to people living on low incomes around the world. Adidas (Thailand), for example, is striving to expand the customer base of its football products in Thailand by offering a wider range of products with entry-level prices as low as 200 Baht for a football jersey.[110] Perceived as distributors of premium sports products, the majority of Adidas' customers in Thailand are middle- to high-income earners, living in major cities. The company, however, wants its products to be affordable for all groups of income earners. The Adidas example shows that many companies do not target merely the urbane elite any more, but rather offer the majority of the population a range of goods at affordable prices, which can reach the furthest-flung corner by using its own channels of distribution with a customized product and brand portfolio. The result is an increase in the worldwide consumer base for fast moving consumer goods (FMCG) companies, and an increased use of branded goods by people living in poverty. This customer base is also described as "low-income consumers" by C.K. Prahalad (2004). He sets out a strong case for the potential of companies to expand markets in poor countries and contends in his book "The Fortune at the Bottom of the Pyramid" that people living in poverty want, and have a right to share in, the types of basic product that are widely available in developed countries. People living in poverty with little disposable income also want to have high-quality personal-care products, clean clothes, and safe food. This point of view was refuted for a long time since aid organizations and non-governmental organizations (NGOs) considered advertising in developing countries wasteful and advised against the purchase of branded

[110] http://www.globalbusinessinsights.com/rbi/content/rbcg0036m.pdf; http://www.csr-asia.com/upload/csrasiaweeklyvol1week36.pdf; (19 November 2005);

goods. This point of view has since changed.[111] Precisely these multinationals are the ones which can produce much more efficient, environmentally-friendly and safer products, such as foodstuffs for example, and owing to economies of scale can offer consumer goods more cheaply, which in turn improves the living conditions of the native population. The principal reason why aid organizations and NGO's are less critical of global concerns is that they create long-term employment and have a long underestimated economic impact, for example with their contribution to financing the national budget in the form of tax payments. Shortly the economic situation in Indonesia which Unilever and other companies confront will be elaborated on.

D.3.2 The market environment

During the early 1990s, the Indonesian economy experienced annual GDP growth of 7-8 percent, due to a large influx of foreign capital and improved relationships with the West. Investments in the early 1990s supported growth and capacity expansion, but came to an abrupt end in 1997. The financial crisis began in June 1997 when the Indonesian Rupiah plummeted in value, and many banks were forced to close. One in every five jobs in the country disappeared. The private sector was immediately placed under great financial pressure, and many firms ceased trading because they could not cope with 80 percent devaluation against the US Dollar and a period of interest rates in excess of 100 percent. Some international companies left Indonesia owing to the deteriorating situation (for example, Wal-Mart). Per capita GDP in Indonesia fell by 59 percent in US$ terms, from US$1,140 in 1997 to US$470 in 1998 (Economist Intelligence Unit 2003) and around 14 percent in terms of real GDP per head. Average income per head did not return to 1996 levels until 2003. What started as a monetary crisis quickly turned into a much more serious economic, social and political crisis. In just two years, the levels of poverty in the country returned to those of the 1960s. Riots broke out in Jakarta in May 1998 and quickly spread to other regions of the country in May 1998. President Soeharto stepped down after 32 years of rule and an era of great political upheaval set in, which did not always lead to a stable situation in the eyes of the investors. Over time, the Indonesian economy and political situation have, however, stabilised. Consumer demand in the country has helped sustain domestic economic activity since the onset of the crisis. Consumption is responsible for 80 per cent of the economic growth in Indonesia, a figure which is only surpassed by the avid American consumers, comparing the consumption segments of national GDPs on a world-wide basis. Now the protagonists of this case-study will be examined in greater depth.

[111] http://www.oxfam.org.uk/what_we_do/issues/livelihoods/unilever_foreuni.htm (14 October 2005)

D.3.3 Unilever: the global player

D.3.3.1 Introduction

Unilever is one of the world's leading suppliers of fast moving consumer goods (FMCG) across foods, home and personal product categories and includes a portfolio of some of the world's best known and most loved brands. Unilever's worldwide mission is to "add vitality to life", "to meet everyday needs for nutrition, hygiene, and personal care, with brands that "help people feel good, look good, and get more out of life". [112] A Fortune 500[113] multinational company with worldwide turnover of US$48.4 billion, Unilever has manufacturing operations in around 100 countries and sales in around 50 more, and it employs some 234,000 people. Over the last 20 years, the company's share price has significantly outperformed the main market indices.[114] By 2003, Unilever was one of the leading companies in the manufacture and marketing of food, home, and personal-care products, with some 400 brands.

Figure D-7 Unilever's mission

The company has extensive experience of working in economies with low-income consumers and its enormous diversity of products has historically served people's everyday needs. In 2005 its business could be broken down into three categories: foods, detergents, and personal care products. Food brands include such well-know names as Lipton, Knorr, Hellman's, Bertolli, Magnum, Cornetto, Flora/Becel, Rama, Blue Band and Iglo/Birds Eye/Findus. Home and personal-care brands include Dove, Rexona, Lux, Omo, Surf, Domestos, Pond's, Signal, and Sunsilk. Besides these global brands, Unilever's portfolio includes many locally important brands.

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[112] http://www.unilever.com/ (12 October 2005);
[113] http://money.cnn.com/magazines/fortune/fortune500/ (12 October 2005);
[114] http://www.unilever.com/Images/1994%20-%202004%20Charts_tcm13-11995.pdf (12 October 2005);

Figure D-8 Some of Unilever's brands

Unilever like other FMCG companies focuses on developing and emerging markets, where, owing to high population growth and sky-rocketing growth figures, important markets are springing up. Rising per capita income gives disproportionate growth in per capita consumption for Unilever categories. Already 35 percent of Unilever turnover is in developing and emerging markets where it has a long-established presence. The introduction of products, brands and certain ranges is targeted at different income levels in the respective countries and is strongly localized accordingly (this strategy is similar to the suggested strategy of differentiated standardization put forward in this thesis). The following figure (D-9) summarises Unilever's viewpoint concerning developing and emerging markets.

Figure D-9 Unilever in D&E markets

By using improved distribution systems and with the possibility (for example in Indonesia, after the liberalization of the economy as a result of the demise of the Soeharto regime), to distribute its own products even as a foreign company (which obviates the need for cost-creating intermediaries), Unilever has managed in almost every region to expand its presence. Thus, Unilever can even be found in many very remote parts of Southern Kalimantan (own observation, March 2004). Additionally, some important Unilever projects in Indonesia can be mentioned at this juncture. Unilever Indonesia tries to empower Indonesians to found their own business, or to work for Unilever as a sales person by issuing micro-credits. This can take the form of buying a bicycle from Unilever, which is specially designed for them to pedal their wares throughout the neighbourhood in an economic and environmentally friendly manner with the help of Unilever credits. Furthermore, Unilever almost exclusively employs local management who has an intimate knowledge of the local peculiarities and idiosyncrasies. Drivers of Unilever's growth in developing and emerging markets are affordability and consumer intimacy. This means that Unilever products are available in various packaging sizes, and are thus affordable to almost every member of Indonesian society. Thus shampoos and washing liquid are offered in sachets enabling every Indonesian to purchase high quality products cheaply whenever the product is required. The personal care market is the priority for growth, as emerging markets are less fragmented, lower private labels penetration is evident and strong personal connections and emotional connections between consumers and their brands can be established. The main competitors in this market are: Procter & Gamble[115], Kao[116], L'Oreal[117], and Beiersdorf[118].

The different brands of the Unilever concern are managed from different countries. Lux, for example, is managed from Sao Paulo, Brazil. Global responsibility for a brand (seen in the Lux example) (Figure D-10) enables certain processes such as product improvement to be transferred quickly to every production site and to markets. Furthermore, the managers responsible for a brand on a country level always have a central contact person when it comes to local issues concerning product innovation or marketing. The objective is to devolve as much power and to give as much freedom as possible to the local people in charge, since they know the market intimately, but not to neglect global synergy effects. This approach meets the differentiated standardization strategy as favoured in this thesis. In the case of Unilever, this strategy has frequently led to success.

[115] http://www.pg.com/company/who_we_are/worldwide_operations.jhtml;jsessionid=O21OXDYDLYCHTQFIAJ4S0IWAVABHOLKK#I (17 August 2005)
[116] http://www.kao.co.jp/en/company/group/affiliates_outside_japan.html (17 August 2005)
[117] http://www.loreal.com/_en/_ww/index.aspx?direct1=00001&direct2=00001/00005 (17 August 2005)
[118] http://www.beiersdorf.de/Area-About-us/Beiersdorf-Global/Country-Details.aspx?l=1&continent=5&country=ID&name= (17 August 2005)

Figure D-10 Lux and Lifebuoy and their local executions

In this sense, the company bears witness to the fact that a strong corporate identity can go with cultural sensitivity. Unilever describes itself as a "multi-local multinational", which highlights the corporate strategy, i.e. to emphasize the local element. This "multi-local" strategy is embedded in the history of the company founded in 1930 when Margarine Unie of the Netherlands and Lever Brothers of the UK merged. Unilever is often described by outsiders as an international or multinational company, but never as a global concern, since the decentralized corporate strategy prevents all markets from being supplied with standardised products and brands. The company believes that a local view is often necessary, especially when it comes to food. The people closest to each market have the power to make decisions and can therefore respond quickly to local trends and needs. Hence, Unilever has become more responsive to local differences than many of its more centralized competitors, such as Procter & Gamble. The following figure (D-11) will highlight additional elements of its global commitment.

Figure D-11 Geographic reach and turnover

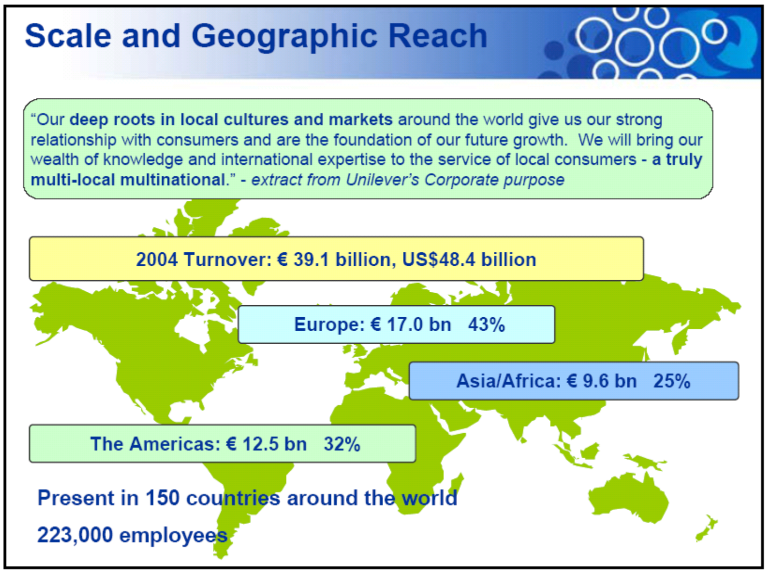

Table D-1 Worldwide Unilever turnover in million US$

	2001	2002	2003	2004
Home and Personal Care	22,739	20,801	18,368	17,404
Foods	28,155	26,937	23,971	22,530
Unilever Group turnover	51,514	48,270	42,693	40,169

The noticeable fall in turnover between 2001 and 2004 was attributable to the sale of some parts of the company and brands (divestment).

D.3.4 Unilever in Asia

Unilever's success story in Asia started with the set up of Hindustan Lever[119] in India in 1931 and Unilever Malaysia's[120] set up in 1947. Investment was made relatively late (in 1995) in Vietnam[121] where it operates five manufacturing sites and exploits local transportation means such as cycles, and boats[122] for distribution in remote areas. Since its operation in Indonesia, (founded in 1933) Unilever's brands have developed a very strong local presence and have gained market leadership in many categories where they compete. The key factor for this success seems to be a deep understanding of the Asian markets

119 http://www.hll.com/ (19 September 2005)
120 http://www.unilever.com.my/corporate/corporate_profile.asp (19 September 2005)
121 http://www.unilevervn.com/ (19 September 2005)
122 http://www.unilvervn.com/brandsasp (19 September 2005)

where Unilever studies local habits, beliefs and aspirations to create local products. Local brands such as “Royco”, “Bango”, and “Sariwangi” are seen as local jewel brands as a result of their high awareness and consumer loyalty. The toothpaste brand “Signal” is number 1 or 2 in 29 countries, including Indonesia where it is market leader. Moreover, Indonesia can be considered not only as an important market, but also as a manufacturing country for countless Unilever products in Southeast Asia. In this context Niall Fitzgerald, the global chairman of the group, stated after a meeting with President Megawati Sukarnoputri, that Indonesia is designated by Unilever as a sourcing country for consumer products sold in countries of the Association of the South East Asian Nations (ASEAN). Unilever plans to invest an estimated US$500 million in the next 10 years in Indonesia. By doing so, Unilever reinforces its position as one of the largest employers and taxpayers in the country.

D.3.5 Unilever Indonesia

PT Unilever Indonesia Tbk (UI), an Indonesia-based consumer goods company, was established in 1933 with the founding of a local soap-manufacturing facility. The company's principal activities are the production of soaps, detergents, margarine, vegetable oil, ice cream, tea drinks, milk products and cosmetics. The company has two subsidiaries, PT Anugrah Lever[123] and PT Technopia Lever. The company's headquarters is located in Jakarta, and is supported by two production facilities in Bekasi, West Java, and Surabaya, East Java. UI has become a leader in the branded-soap market, which had been dominated by Procter & Gamble[124] and Colgate[125]. By 1940, after only seven years in business, UI manufactured 12,000 metric tons (MT) of soap and was the largest soap producer in the country. By 1948, UI had established or purchased factories to produce margarine, cosmetics, and edible oil. These activities grew until 1980, when all UI companies in Indonesia reorganised to form PT Unilever Indonesia. A year later, UI made the decision to go public on the Jakarta stock exchange (JSX)[126] and sold 9.2 million shares locally (15 percent of the total). The bulk of the equity value of the business (85 percent) was retained by the parent company in the Netherlands. By 1982 it had established a network of Indonesian distributors, to whom it handed over sales activities. This sales force grew steadily to 385 distributors at the end of 2003. These companies now deliver UI brands to more than 550,000 shops weekly. It is estimated that up to 1.8 million small stores and street vendors sell UI products informally in rural markets and poor urban areas. The table below provides an insight into the history of the company in Indonesia.

123 http://today.reuters.com/stocks/overview.aspx?symbol=UNVR.JK (17 August 2005); www.jsx.co.id/.../Unilever%20(UNVR)/PT%20UNILEVER%20INDONESIA%20Q3%20konsol-04%20Indonesia%20.doc (17 August 2005);
124 http://www.pg.com/en_US/index.jhtml (17 August 2005);
125 http://www.colgate.com/app/Colgate/US/HomePage.cvsp (17 August 2005);
126 http://www.jsx.co.id/ (17 August 2005);

Table D-2 Seventy years of Unilever in Indonesia

1933	Soap factory opened
1935	Margarine and vegetable-oil production begun
1941	Colibri cosmetics factory opened
1942-46	Unilever control interrupted by World War II
1947	Facilities returned and reconditioned
1947	Archa oil-milling factory opened
1957	Unilever Indonesia nationalised; Unilever factories operated under government control
1967	Under new investment law, UI regained control of its factories
1980	PT Unilever restructured
1981	UI went public
1983	Personal-care products factory opened
1990	UI acquired Sariwangi Tea
1992	Wall's Ice Cream factory opened
1998	Acquired PT Yuhan HHC business
1999	Integration of PT Yuhan distribution with UI's system
2000-01	Kimberly-Lever joint venture signed Acquired Bango Soy Sauce Business (joint venture with previous owner) Integrated Best Foods Indonesia
2001-02	JV with Texchem in mosquito coil business
2003-04	Acquired Taro Snacks business Integrated PT Knorr (Best Foods) Indonesia

The fast moving consumer goods (FMCG) industry in Indonesia is highly competitive, and within it UI leads in market share in some categories, like toothpaste and hair care, while in other categories, such as powder detergents, local companies lead. UI's recent success is in part based on the expansion of sachet packaging, and the very extensive distribution network for UI products (which was built up after the market liberalization of 1998) and reaches all parts of Indonesia. According to UI, 95 percent of households in Indonesia use at least one UI product. UI targets consumers from all market segments, and its products are purchased by all socio-economic groups. A report suggests that the average poor family spends 5.7 percent of its average monthly outgoings on UI products. Data shows that people living on lower incomes spend a greater proportion of their budget on FMCGs than those who have larger incomes. Those with less available cash still choose to purchase personal care and cleaning products, as well as food brands. These goods are often bought on a daily basis in small sachets or pouches, packaging sizes which were first introduced by Unilever. While the unit cost is higher, owing to packaging and distribution costs that are reflected in the sale price, this marketing strategy responds to the reality that people with low incomes have limited cash on hand. Research suggests that typical low-income consumers shopping in "warungs"[127] tend to be married women in their thirties, with three or more children. Most poor consumers throughout Indonesia buy UI products in warungs or from market stalls in their neighbourhoods.

127 Type of small family owned business (often a casual, usually outdoor restaurant) in Indonesia.
The term can also be used to refer to many other types of shop, including the wartel (short for warung telepon, essentially a manned phone booth) and warnet (Internet café).

Figure D-12 Sachet packaging

"SACHET MARKETING"

Here's an interesting business question: if roughly two-thirds of the world's population makes USD 1,500 or less per year, why try to sell them expensive, bulky goods and services originally designed for consumers who easily make twenty times as much in North America, Western Europe or Japan?

To the rescue come innovative micro-selling methods, aimed at new consumers in developing mega-economies like China, India, The Philippines, Mexico and Brazil. It's all about serving up your products, services and loans in affordable portions, sachets or sizes, so that consumers get to know and like your brand.

Meanwhile, you the manufacturer or service provider can still make a good profit from sheer overall volume (smaller sizes, but more buyers). Our sister-publication Springwise New Business Ideas has already been paying quite a bit of attention to these interesting initiatives: now it's up to TRENDWATCHING.COM to coin the overarching trend: SACHET MARKETING.

Consider the following examples highlighting the SACHET MARKETING trend:

- In Brazil, fast moving consumer goods giant Unilever sells Ala, a brand detergent created specifically to meet the needs of low-income consumers who want an affordable yet effective product for laundry that is often washed by hand in river water. In India, Unilever successfully markets Sunsil and Lux shampoo sachets sold in units of 2-4 dollar cents; Clinic All Clear anti-dandruff shampoo sachets at 2.5 rupees each; and 16 cent Rexona deodorant sticks. In Tanzania, Key soap is sold in small units for a few dollar cents.

http://www.trendwatching.com/trends/sachet_marketing.htm (12 December 2005)

UI views most of its products as basic, or even essential, requirements for everyday living. Detergents and soap are relevant to basic health care: clean homes, clean clothes, and hand-washing play an important role in preventing disease. Personal grooming plays a role in establishing personal self-esteem, and even people living in poverty celebrate important events with some form of "reward" or "treat".

Detailed consumer research conducted by UI during the economic crisis of the late 1990s revealed that consumers (both urban and rural buyers) prioritise value for money that they spend, not cheapness (universal unwillingness to compromise on quality of daily-use products). A low-income consumer cannot afford to make purchasing mistakes, for example buying non-effective products. In addition, low-income consumers require package sizes that are commensurate with their daily cash-in-hand limitations. During the crisis UI recognised that if consumers could not afford to buy its products, the company would not stay in business. It pursued three separate strategies to address this problem. Firstly, it expanded the number of its popular products that were available in affordable sachets. Secondly, it created new, less expensive formulations of popular products. And thirdly, where possible, it used locally sourced ingredients instead of more expensive imported ones, to reduce the price of known brands. The company maintained its policy of making its products available to distributors at the same price throughout the country. This strategy was complemented through the acquisition of strategic local brands or created joint-venture (JV), e.g. with PT Anugrah Setia Lestari (former owner of Bango Brands) to manage the production of "Kecap Bango". These strategies enabled UI not only to maintain its consumer base, but actually to increase it in many areas. UI staff provided management with information on the crisis, as well as ideas on how to address it. Employees were encouraged to think about the likely impacts of economic developments on the company and how it should respond. Staff suggested ideas that succeeded in reversing sales declines of 50 percent or more in several categories during the onset of the crisis. In all, more than 200 constructive suggestions were received by the company over one two-week period.

Since 1999, under CEO Nihal Kaviratne (NK), UI has acquired seven leading local brands of soy sauce, tea and cleaning agents. UI predicts to double business within five years, but growth is becoming difficult because consumer spending is decreasing. With the removal of subsidies, people's incomes have been squeezed. Also, income coming in from Indonesians working abroad is declining. This is why the consumer base has to be extended, so that more homes use the brand and use it more often (NK: "We're getting people to brush their teeth not once but twice per day. Each year, you get 6 to 7 percent more people switching from once to twice a day."). This is huge in terms of dollar value. UI also started an initiative with "pesantren", the Islamic boarding schools, which provide UI with a steady and fixed market. Students have daily needs. In the town of Pekalongan in Central Java, UI has 200 pesantren to which it regularly supplies products. This project will be extended all over the country.

UI purchases the majority of goods and services for its business operations though a local supply chain consisting of a large network of more than 300 supplier companies. UI's business model over the past two decades has come to focus on high-volume, high-technology, and high-value-added operations, while other parts of the business have become independent operations or have been outsourced. In this way, UI was able to expand its business while at the same time building production capacity among independent companies. In 2003, UI had more than 3,096 direct employees; nearly 25,000 people worked full time for UI within its network of direct partners; and hundreds of thousands of individuals worked within its value chain, from supplying raw materials to selling its brands. Virtually all management staff is Indonesian, as well as eight of the UI board members.

UI's spending on advertising for the brands shown increased by 36 percent between 2002 and 2003, with the largest increase being in television advertising (40 percent) (Nielsen Media Research AdQuest 2003). Some of the company's brands are promoted more than others. The advertising and promotions budget for a new brand can be as high as 50 percent of its net sales. For existing brands, the ratio is only 10-15 percent. Between 2002 and 2003, spending on advertising for Sunsilk shampoo declined from Rp144 billion to Rp115 billion. Eighty-nine percent of advertising is for global brands such as "Sunsilk" and "Pepsodent", and 11 percent for Indonesian brands such as "Kecap Bango" and "Sariwangi tea". UI aims to ensure that it advertises in a responsible way, in accordance with its worldwide brand-communication principles. According to UI, the company pays particular attention to local cultural differences and perceptions, and the need to produce advertisements with local-language variations around consistent themes and branding positions. A great deal of advertising is generated or adapted by local Indonesian agencies. A key factor for UI in determining advertising expenditure is what its competitors are doing with their brands.

UI is actively engaged in dialogue with consumers in Indonesia (externally oriented). The personal daily contact between consumers, their retailers, and UI distribution people is the source of the most accessible, regular feedback of consumer opinion on the company's brands. Any fall in sales is a signal that consumer opinion on the company's brand, for whatever reason, is changing, and the decline is investigated to understand the reasons behind the changes in consumers' purchasing decisions.

D.3.5.1 UI's financial performance

In 2001, UI was ranked by Asiaweek as the thirteenth-largest company by sales in Indonesia and second in terms of profits as a percentage of sales. Only TELKOM[128], the Indonesian telecommunications company, reported higher profits. UI is the fourth-largest firm in the FMCG sector in Indonesia. The largest FMCG firm, Indofood Sukses Makmur[129], had a turnover more than double that of UI, and a domestic market capitalisation of US$2.04 billion. It is hard to compare UI's performance with that of other multinational companies such as Coca-Cola, Nestlé, Procter & Gamble, or Johnson & Johnson[130], because none of them is listed on the Jakarta Stock Exchange (JSX)[131], so comparable data is not readily available. In December 2003, UI's price-to-earnings ratio[132] was 17.6, implying investor confidence in future growth and profits. UI's Indonesian shares outperformed the JSX from January 1999 through to December 2002. JSX shares increased in value on average 69 percent over this four-year period, while UI's increased in value by 1,109 percent. UI's overall performance in recent years was strongly affected by the country's financial crisis. It took until 2002 for UI's sales, in dollar terms, to return to 1996 levels. By 2003, UI had improved on all financial measures from 1996.

[128] http://www.telkom.co.id/ (19 November 2005)
[129] http://www.telkom.co.id/ (19 November 2005); http://www.finanznachrichten.de/nachrichten-aktien/indofood-sukses-makmur.asp (23 December 2005);
[130] http://www.jnj.com/ (17 November 2005);
[131] http://www.jsx.co.id/ (16 November 2005);
[132] A publicly traded company is worth the current share price times the number of shares outstanding.

Table D-3 UI financial performance (1996 and 1999-2003)

Key indicators (US$ million)	1996	1999	2000	2001	2002	2003	Five-year average 1999-2003	Totals 1999-2003
Total sales	701	534	571	586	757	948	679	3396
Pre-tax profits	79	100	134	123	149	212	144	718
Total taxes paid	118	108	120	115	136	170	130	649
Profits after corporate tax, comprising:	54	68	95	86	106	151	101	506
Shareholder dividends	31	15	35	55	74	142	64	321
Retained earnings	23	53	60	29	31	9	36	102

D.3.6 Strategy

Unilever's business strategy is to concentrate geographically on developing and emerging markets and with its products on its personal care division whose portfolio includes some of the world's most valuable brands. Fierce competition between manufacturers of branded goods and so-called private labels (products typically manufactured or provided by one company for offer under another company's, for example retailer's brand) dominates on the already saturated markets of Europe and North America where there has been a significant increase of private label brands in the recent years. In Europe, private labels now account for about 45 percent of products sold in supermarkets, compared to 25 percent in the USA. Wal-Mart, for instance, has already a 40 percent private label representation in their stores. Historically, private labels had been seen as low-priced, low-quality products. In recent years, however, companies have started using private labels to market higher quality items, and many believe high-quality private labels will increase their presence owing to a rise in savings strategies on the part of consumers and their trust in products which succeed even without brand names. Basically, the trend towards private label products in the area of personal care and facial products, is lower than that of, for example, cleaning materials or comestibles. This can be explained by the fact that users have a closer relationship (para-social relationship), with facial and personal care products since these products may improve looks and come into direct contact with the skin. Generally, the trend towards private labels in developing and emerging markets is only apparent rudimentarily, since consumers (as numerous studies have shown) continue to prefer branded products. One reason could be the low market penetration of private labels in these countries i.e. consumers can usually only choose branded products from local or worldwide operating companies. Owing to enormous competition pressure among manufacturers of personal care products because of the introduction of private labels, manufacturers have no choice but firstly to export their goods to other countries, and secondly to invest intensively in the respective brands. The idea behind the latter strategy is that retailers only list the three best-selling products in their range in one category, for example, shampoo. Considering the enormous power of big worldwide operating trade corporations, such as the German Metro Group, this can mean that a brand disappears from a retailer's range within a few months when it loses customers' favour and thus its sales figures drop. This could lead to the manufacturer selling the whole brand since the manufacturer lost its sales basis due to the retailer delisting the product. Conversely the situation in Indonesia is that 75 per cent of the retail market can still be called traditional and 25 per cent are modern and organized in the form of supermarkets, hypermarkets and convenience stores. The reasons for a strong focusing of developing and emerging markets in the field of personal care are summed up in the following figure (D-13).

Figure D-13 Personal care in D&E markets

In keeping with Unilever's multi-local strategy, products which reflect the needs and preferences of local consumers are to be developed for the respective markets. It is not, however, a question of deteriorating into a hopelessly local strategy, i.e. to develop own brands and product lines for every market, with the corresponding packaging and ingredients, but rather to execute certain scale effects (benefit from its omnipresence in the world in terms of scale effects). Unilever manages to do this by carrying out local adaptation to respective globally marketed brands such as Sunsilk and Lux, for example (customizing its products to meet the needs and wants of the local consumers). At the bottom of the figure below is the heading "Sunsilk – tailored solutions to local hair dramas". The following figure clarifies this strategy.

Figure D-14 Local executions of global brands

In the area of shampoo, Unilever decided to boost Sunsilk as a global brand, i.e. to introduce Sunsilk to several developing and emerging markets, to explain to customers that Sunsilk is a globally available and thereby world famous brand, and to explain that products with this brand name will be customized to respective consumer wishes and needs. This strategy led to the creation of very interesting local products within the global brand "Sunsilk".

D.3.6.1 Cosmetics and Toiletries in Indonesia

2004 was another good year for cosmetics and toiletries in Indonesia, which grew at 11 percent in current value terms (Euromonitor Executive Summary 2005). Most of the contribution to value sales of cosmetics and toiletries still derived from essential toiletries products, namely hair care, bath and shower products, and oral hygiene. Hair care remained the biggest contributor to overall cosmetics and toiletries sales. In 2004, UI was the leader for hair care. The cosmetics and toiletries industry in Indonesia is not yet mature, and is expected to continue performing healthily. 28 percent of sales come from modern retail, and 72 from traditional "pasar" (bazaar) and "warungs". The following paragraph will focus on the brand and its product mix adapted to local cultural conditions and processes (re-Islamization) in Indonesia by the company.

D.3.7 The Sunsilk brand: Local Touch for Global Success

Originally launched in the Netherlands in 1956, Sunsilk provides hair care solutions in 80 countries around the globe ("tailored solutions to local hair dramas")[133]. It was recently re-launched throughout Europe, where it is now the fastest-growing major hair brand. Globally, Sunsilk has grown consistently at more than 20 percent a year for the last three years. Whether it is in Africa, with hair relaxers, or Brazil with combing creams, or Europe, with special treatments for limp, flat hair, Sunsilk addresses the needs of local consumers. Sunsilk brings happiness to beauty, helping women to feel good, look good and get more out of life wherever they live, according to Unilever.[134] This abstract idea is the basis for local executions. The Sunsilk concept is that it makes one look better and gives one confidence, and the products which fulfil these promises are nonetheless tailored to local conditions. There are recognizable elements such as the brand name and package design, the payoff, and a symbol. Different executions based on the concept can be developed in different countries and adopted by others of similar cultural configurations. The advantage of this strategy is the combination of local elements and a centrally recognizable idea. Actual ads may be used globally, regionally, or locally depending on the need for cultural adaptation.

Contrary to common opinions, brands and their products differ widely. In an attempt to distinguish own brands from the competitors', companies give their brands certain attributes with the help of so-called branding strategies. The branding issue has become once more the focal point of corporate activities in recent years and furthermore the major topic (Dietzhoff 1999: 50; Esch 2001: 6; Meffert, Burmann and Koers 2002: 6-7). 1998 was named year of the brand by "The Economist". The corporate world even refers to the "magic of branding". A brands cult is virtually attestable among Indonesians, since brands connote social group belonging, and contribute to distinguishing people from each other and to expressing one's personality. Additionally, brands can serve a prestige role for the person who purchases

[133] http://www.unilever.com/Images/Q4%20Roadshow%20Presentation_tcm13-32243.pdf (13 September 2005)
[134] http://www.sunsilk.com/ (11 September 2005)

them in his or her social environment (Meffert, Burmann and Koers 2002: 11). Brands act as symbols in the individual or social communication process, and satisfy the needs for self-fulfilment, social distinction and recognition. (ibid: 348). The identity endowing effect of brands is meant here, i.e. the person purchasing the branded goods receives the attributes of the product himself and defines his own self-image through it (Esch 2001: 111). Brands are personalities, which are translated into a special pictorial and written language. The idea behind the personality related brand concept is the thought that brands have their own personalities just as people do. Especially in today's stressful world of mistrust and trouble, people are looking for escapism. Relationships between friends account for part of this. Friendship means trust, dependability, caring, fun and *joie de vivre*. Brands act as friends, confidantes and partners. A brand ought to give the consumer orientation and guidance as well as the feeling that he/she is wanted, belongs and is cared for. Brands should also provide emotional anchors, they ought to convey feelings and images in an overpowering variety of goods available (Esch 2001: 11). Brands simultaneously offer additional information and reduce purchasing risk (see risk orientation for Indonesia's high score on social risk avoidance).

D.3.8 Sunsilk campaigns and brand personality

The following images (Figures D-15 and D-16) will make the idea of brand personality comprehensible. Two advertising campaigns for L'Oreal hair products are juxtaposed to the Sunsilk brand images.

Figure D-15 Sunsilk brand communications

The models depicted here (D-15) exude vitality, exuberance and *joie de vivre*. The images are apparently more inviting, vibrant and welcoming than the L'Oreal images (D-16) with their nonchalant, insouciant models brimming with confidence but also arrogance. The models here are much more natural than the models in the L'Oreal figure. This is also reflected in the layout of the Sunsilk ads which have more colours, and more fluidity and movement (shaking her mane of hair, the green flowing silk jilbab, the undulating locks, the moving water images). The overall look of the first set of ads is more dynamic, also revealed in the images of sunflowers, leaves, water lilies, orange slices - all images of living things. The L'Oreal set is much more static and inert, with rigid poses (woman on the right) and an almost statuesque pose**.**

Figure D-16 L'Oreal brand communication

The L'Oreal ads use cool, aloof images, with famous models, for example Eva Longoria from "Desperate Housewives". The images are very sleek and sophisticated but the women depicted appear more distant and affected than the models posing in the Sunsilk ads. The woman on the right especially is utterly unapproachable and almost condescending. She does not radiate any warmth as do the models in the first set. She appears to be arrogant, self-assured and assuming an artificial pose.

D.3.8.1 Sunsilk and local adaptations

As already mentioned, Sunsilk has a tradition of being local. Sunsilk Afro, for example, launched two years ago, has become a huge success in the South African market.[135] Sunsilk is also very successful in India where it is positioned as the hair expert[136] and where advertising for Sunsilk is set in a "Filmi Style" Bollywood setting.[137] There is no doubt that a shampoo has to guarantee the same basic benefits worldwide, i.e. that it cleans hair. However, preferences as to how hair should look are locally coloured, which necessitates local adaptation of products and their effects. Thus straighter hair is preferred in some

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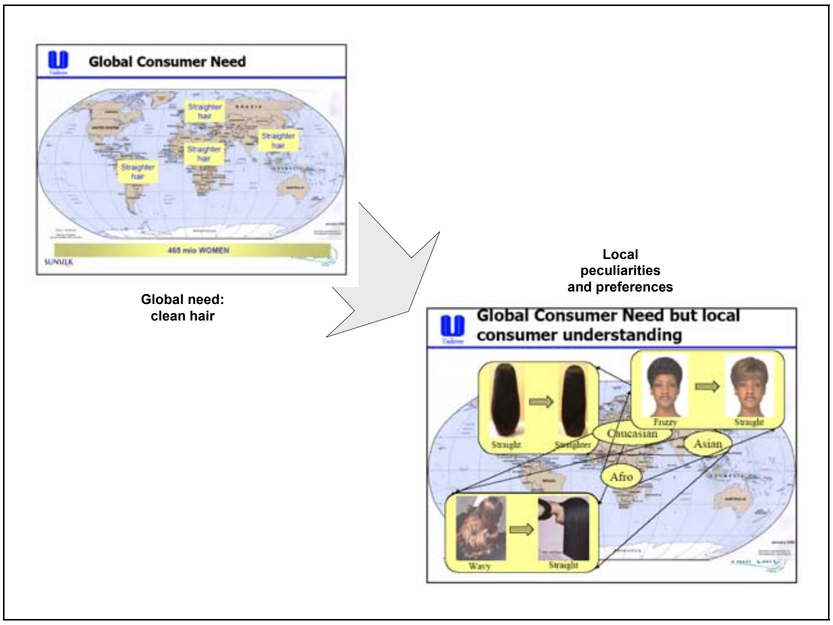
135 http://www.unilever.com/ourbrnads/casestudies/sunsilk.asp) (13 September 2005)
136 http://www.hll.com/brands/sunsilk.asp (13 September 2005)
137 http://www.hll.com/brands/sunsilk.asp (11 September 2005)

regions (Asia, Africa, South America), and in others, curlier hair is preferable. The figure below will highlight this.

Figure D-17 Global needs but local preferences



The following figure (D-18) shows a selection of local Sunsilk adaptations, among them the shampoo "Segar dan Bersih" ("Clean and Fresh") to be discussed here.

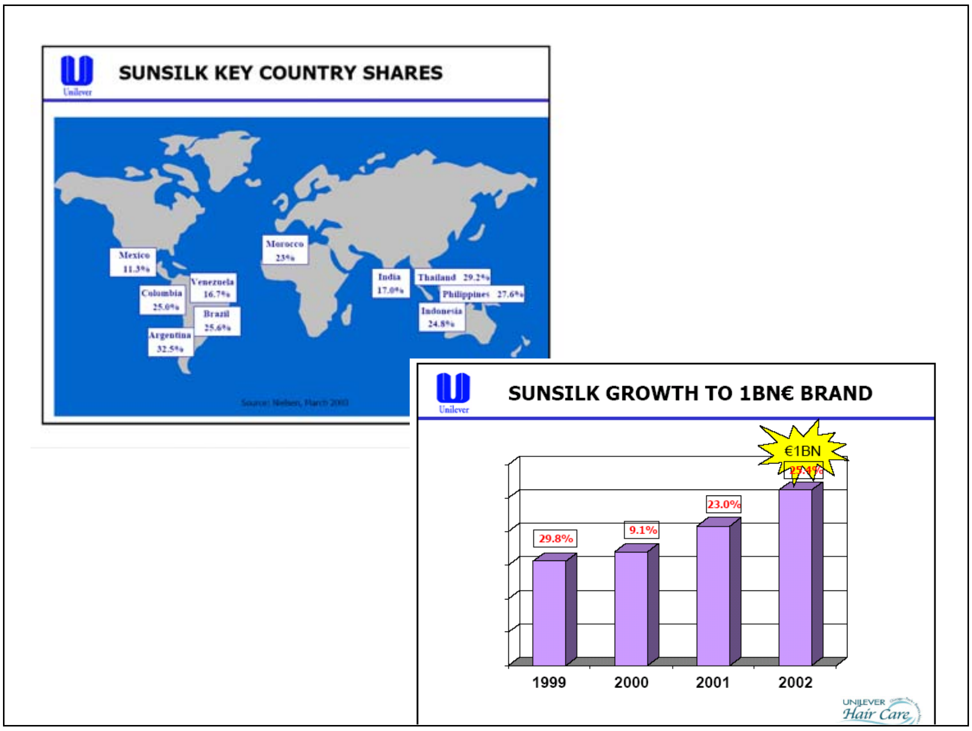
Figure D-18 Local adaptations under the Sunsilk brand umbrella[138]

[138] There are some grammatical mistakes in this official Unilever slide: It should be: "For hair that breaks and falls out" and "Hair that grows sparsely".

D.3.8.2 Sunsilk key facts

Indonesia is a country in which Sunsilk holds a key country share, with circa 25 percent. Sunsilk is the number 1 hair care brand in Asia, Latin America and the Middle East with sales of more than €1 billion a year and selling in 80 courtiers. Particularly in Spanish speaking countries it sells under different variants of the Sunsilk names, such as Elidor, Hazeline, Seda and Sedal. The diagram below shows the market share in some strategic developing and emerging markets, among them Indonesia, and also the turnover growth of the brand since 1999.

Figure D-19 Sunsilk market performance and market share



After having highlighted the initial points of the product development, one shall move on to the strategic decisions for the year 2003/2004. In 2004, despite the high market share of almost 25 per cent in Indonesia, Unilever's Sunsilk was confronted with the following situation. It will, as customary, be presented in a threats and opportunities (TO) analysis which, for clarity, is shown in the following table.

Table D-4 Threats and opportunities analysis: Situation of Unilever's Sunsilk in Indonesia 2004

Environmental component	Trend description	Threats/ opportunities	Consequences
Exogenous factors	In 2004 (time of the launch) general economic improvement. Positive sales figures for Unilever Indonesia.	Positive	To stabilize and increase sales figures, introduction of new products is aimed for.
Total market/ Sub-segment	Cosmetics sector in Indonesia growing rapidly as in all of Asia. Growth in the branded products and up-market sectors. Disproportionate growth in the hair care range	Positive	Introduction of new products in an endeavour to take advantage of the total market's growth. Simultaneous repositioning of some products to count as Islamic.
Competition	Competition introduces new products with aggressive marketing strategies. High advertising pressure. Trend towards localization in advertising campaigns.	Negative	Activation of market presence. Reinforcing cut-throat competition.
Consumers	Growing brand and trend awareness. Increased cosmetics awareness. Re-Islamization is reflected in product developments, i.e. technological equipment.	Negative	Winning new customers with new products. Brands and products have to react to the spirit of Re-Islamization.
Intermediaries	Foreseeable, above average development of fast expanding shopping entities (hypermarkets, convenience stores) and qualitative improvement of the range of goods by means of new, expensive-looking stores.	Positive	General expansion of the range. Attractive range which will be made available in every outlet due to high demand on part of customers.

An evaluation of the OT analysis revealed the need for action. In an endeavour to secure Unilever's position in the hair care sector in Indonesia long-term, new products had to be launched onto the market, and customers had to be won over by means of intensified Sunsilk market presence in conjunction with a sustainable and long-term brand positioning. In order to build on their successes in the hair care market, and parallel, to achieve attractive positioning on the Indonesian market from the consumers' viewpoint, Unilever pushed the introduction of a new product which was intended to tap into the re-Islamization trend. In the last five years, Islamic fashion has become increasingly popular, giving rise to fashionable clothing stores in urban areas offering "busana Muslim" (Muslim clothes). Amrih Widodo (Inside

Indonesia: Oct-Dec 2002)[139] argues that a new image of "Muslim beauty" is now supplementing, if not replacing, the Western-oriented image of beauty that has long dominated Indonesian media. One aspect of this new fashion trend is the "Jilbab gaul", or "hip Jilbab", which extends the scope of what it means to wear a Jilbab. A "Jilbab gaul" may leave the neck exposed or be transparent. A similar trend is wearing hair tucked up under specially designed hats, either with or without an additional scarf to cover the neck. Indonesian girls wear them often in a notoriously risqué fashion as their clothes may extend from ankle to wrist but may be skin-tight, or display occasional flashes of skin.

An increasingly large number of Indonesian women are choosing to make their fashion purchases within this wide range of Muslim clothes. Both are far away from the rural women who put on a veil to go to the market, to weddings and funerals, and to neighbourhood women's religious study sessions. Amrih Widodo argues that in contemporary Indonesia the Jilbab has become a new kind of lifestyle statement. The Jilbab is part of the consumerist trend of defining or displaying one's identity through what one buys or wears. It reflects a desire to express religious identity while also being cosmopolitan and modern. Like western brands or limited edition designer batik, Muslim fashion is an expression of taste but also of class, a way of positioning oneself. In everyday life, people judge other members of Indonesian society by means of lifestyle. A multitude of Islamic symbols, for example the veil, serve as a means of separation from other social groups and strata.

D.3.9 Marketing strategy

Focusing on Indonesian consumer behaviour, a corresponding product and marketing strategy was generated locally. It was necessary to develop a shampoo targeted at Muslim women who wear a veil and who take pride in their appearance. Unilever had principally the urbane middle class in mind as their target group for the afore-mentioned product. There were already four shampoos under the umbrella brand name Sunsilk on the Indonesian market prior to Sunsilk's "Segar dan Bersih" ("Clean and Fresh"). Not a single shampoo either from Unilever or from its competitors catered for veiled Muslim women and their hair care matters. Unilever's Sunsilk range increased to five including "Segar dan Bersih", the latter being the only one intended for veiled women and thus representing a real product innovation. Furthermore, it was necessary to interpret Sunsilk's globally decided brand personality (depicted in the figure "Sunsilk is…") for the Indonesian market. The endorsement was supposed to be designed as inviting, approachable and to radiate warmth, especially representative of the target group. The woman featured in the endorsements was not supposed to look introverted or old-fashioned either. Moreover, the advertising campaign was intended to radiate harmony. Since a shampoo for veiled women was being advertised, no hair was allowed to be shown, something of a novelty in a shampoo advertisement. The efficacy of the shampoo had to be conveyed in a novel way.

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[139] http://www.hawaii.edu/indolang/bahasa/siapa.html (17 November 2005); http://www.insideindonesia.org/edit72/Theme%20-%20Amrih.htm (16 November 2005)

D.3.9.1 Endorsement choice

By having Inneke Koesherawati[140], a former actress who achieved fame as a model and entrepreneur in Indonesia, in the campaigns, Unilever managed a feat. Inneke Koesherawati had opted to veil only since the end of the 1990s, and prior to this had always been considered somewhat irreligious, and is today revered as a "cosmo-Muslim, i.e. a modern, self-assured, successful Muslim, who lives her faith overtly. Moreover she is known all over Indonesia, and is famous for being one of the best dressed women in Indonesia, and was responsible for initiating the trend of wearing a "Jilbab Gaul". In the Indonesian press Inneke Koesherawati was thus described[141]:

> *"From sex bomb to cosmo-Muslim. Even glamour models are embracing Muslim clothes. Inneke Koesherawati, a former pin-up girl who once posed for racy photographs for a glossy men's magazine, recalled the day she decided to cover up. 'I just came back from the Hajj and my body just didn't feel comfortable any more without being covered,' said Koesherawati whose past movies such as 'Metropolitan Girls', 'Naughty Desires' and 'The Stained Bed', left little to the imagination. Now she insists those days are long gone. 'I don't feel old-fashioned, in fact I feel more cosmopolitan,' she says. 'Society has now grown more tolerant of Islamic dress'."*

Figure D-20 Sunsilk's "Segar dan Bersih" endorsement

D.3.9.2 Advertising campaign

Consumers in Indonesia like in the rest of the world prefer easily digestible information. Since pictorial information as opposed to verbal information can be assimilated more quickly, consumers prefer stronger pictorial images in information conveyance (Esch 2001: 17). The youth in Indonesia are often referred to

[140] http://www.tempo.co.id/ang/min/01/index_pok.htm (18 September 2005);
[141] http://www.reuters.com/newsArticle.jhtml?type=ourWorldNews&storyID=4014617 (12 September 2005)

today as a visual generation. A large proportion of the communication budget was allotted to billboards in up market locations and to costly advertising glossies which lived up to the prestigious image of the brand. These are identifiable by means of proximity to distinctive topics (status, prestige) and those expressing values (i.e. religion). The design of the adverts' content targeted the conveying of an emotional-symbolic realm of experience through experience-oriented, often sensual, depictions. Besides, it aimed at product portrayals usually without captions. The next image shows some examples taken from the advertising campaign. The colour green is notably associated with Islam and the silky veil and the friendly charismatic look of the woman all epitomize the Sunsilk brand. Even the bottle is green, but the image on the bottle shows a different and unveiled model.

Figure D-21 Inneke Koesherawati endorsing Sunsilk (official ads)

This campaign, which was perceived as very aesthetically pleasing in Indonesia, had the desired effect. The image begs attention and deliberately evokes contact with the brand Sunsilk, which is now suddenly associated with Islamic values (AS, interview December 2004). The pleasant image arouses a positive perception and ensures that the product better received than one without a visual element (atmospheric effect). By means of these specific, emotional images, in which the silky lustre of the veil comes to the fore, while the product fades into the background, a lasting consumer attitude to the brand should be attained. Simultaneously an experience is transmitted which will make the brand able to be lived and experienced.

The individual elements of the marketing strategy helped convince women who wear veils and who consider their appearance important, to purchase the product. Print and outdoor media were the focus here rather than TV advertising, so that the members of the new middle class who watch less TV than they read newspapers and who work on the Internet, as well as spend hours daily in traffic, could be reached rather than the women living in the countryside. Billboards in urbane regions of Indonesia were reserved in the outdoor area. In Jakarta these are from 4 by 8 meters, to 8 by 16 meters in size and cost from Rp27,082,000 and Rp100,000 000 monthly (approximately from €2,700 to 10,000 [€1 = Rp10,000, exchange rate as of October 2004]). In contrast, a 30 second commercial on Indonesian TV costs between Rp9,000,000 (€900) (JTV, TVR1) and Rp25,000,000 (€2,500) (RCTI, SCTV, IVM). A 30 second radio commercial on a radio station preferred by women, such as “Female” in Jakarta or “Suzana” in Surabaya costs between Rp120,000 (€12) and Rp350,000 (€350) per broadcast. A full-page, 4c (colour) advertisement in magazines targeting women costs Rp19,400,000 (€1,940) in “Femina” (bi-weekly magazine, 130,000 circulation), and Rp20,000,000 (€2,000) in “Cosmopolitan” (monthly magazine, circulation 127,000). These prices are rather low when compared internationally (all prices: Synovate Asia Pacific Market Handbook 2004: 134-140).

In general, the hair care category is the one in Indonesia which allocates the highest budget to advertising. In 2003 in this category Rp815 billion were spent on advertising. In comparison, the cigarette category spent Rp652 billion and private vehicles spent Rp476 billion. These figures illustrate the harsh market conditions and cut-throat competition in the hair care market which expects high growth rates. In 2003 the top advertisers in Indonesia were “Clear Anti Ketombe” shampoo with Rp176 billion, followed by Sunsilk shampoo with Rp117 billion.

Besides outdoor and print advertising in magazines, adverts were placed in free newspapers which are distributed in cafés and shopping centres. Advertising campaigns in those magazines are linked to Muslim fashion, as can be seen in the image below. The advertisements are followed by visual information from Inneke Koesherawati on how to wear a veil, and on how to combine certain colours, and on which occasions which veils can be worn. Rather than as a religious symbol, the veil appears more as a means of disassociating lifestyles. In short, the fashionable side of the veil is emphasized.

Figure D-22 Advertising campaign of Sunsilk "Segar dan Bersih"

D.3.9.3 Campaign execution

The product launch (upon which a lot of hope was resting) was timed to coincide with Ramadan. It was hoped that the emotive nature of this period would have a spill-over effect on the product (the product was emotionally charged). Furthermore, a lot of veils are worn and new clothing is purchased at Ramadan, too. In this context the aim was to communicate that by wearing a veil, hair would have little contact with light and air, and needed the boosting that the special conditioning effect of the shampoo could offer. And since many Indonesian women wear veils only at Ramadan, it was hoped that many consumers would try out the product and would continue to use it after Ramadan. This was the reason for the product being in a bottle with an unveiled model on it. Thus, shortly before the start of Ramadan in October 2004, Sunsilk's "Segar dan Bersih" was launched on to the market. It is impossible to list all the initiatives used to implement this strategy at this juncture. All documents pertaining to this process are included on the DVD enclosed.

D.3.10 Outcome

During the author's stay from August to December 2004 and further visits to Indonesia in March and August 2005, the product appeared to be very successfully established on the market. During the product launch over Ramadan the product and its presentation seemed to have become a talking point. Word of mouth assisted the product in attaining almost iconic proportions. However, exact sales, turnover and profit figures which could help gauge its success are unavailable, since Unilever does not issue figures for individual products or markets. It is only known that Sunsilk is by far the leader in advertising expenditure in Indonesia and that the company image has improved drastically. Unilever and Sunsilk swept the boards with prizes in 2004 and 2005 for their product marketing, especially for the shampoo discussed here for women with Islamic leanings. It is considered to be the number one shampoo in Indonesia. With the launch of Sunsilk "Segar dan Bersih", Unilever Indonesia has managed to arouse continued interest in its products, and to establish an emotional rapport, to raise identification with product and brand, and product importance in everyday life, i.e. it has managed to keep it relevant to society. By linking an everyday product to Islam, Unilever has found the key that imbues the brand Sunsilk with relevance in Indonesia, and that facilitates new growth. The brand has been indelibly stamped on social consciousness. Sunsilk has become a feminine brand with profile and character, which women can identify with. The market share increased and the brand was helped to its unique position (SWA 15/XX 22 July – 4 August 2004: "Merek-merek terbaik 2004"). Reference to the culture element religion in particular and its increasing importance for Indonesian consumers making their buying decision, helped Unilever to safeguard its market position against fierce competition and, furthermore, to gain relevance and credibility. In the case of Unilever Indonesia the adaptation of the Sunsilk brand (conceived as a global brand by Unilever) was achieved by product innovation which caters to the needs of the veiled Muslim woman and considers her increasing significance as a consumer. The success story of Sunsilk "Segar dan Bersih" illustrates that the adaptation of product and marketing strategies to local peculiarities (differentiated standardization strategy) does not inevitably lead to the overly feared (by many companies) identity dilution of the global brand or to synergy loss and inefficiency.

D.3.10.1 Outcome from a sociological perspective

The case-study demonstrates how fast economic growth in Indonesia can lead to transformation of social structures, and how these changes can in turn give rise to consumer preferences. These economic improvements do not lead to a general loss of religion's significance as was originally expected (Siddique and Evers 1993: 1-10; Lee 1993: 35-61; Kiem 1993: 92-127; Mulder 1993: 184-194). In fact, the opposite is true. More and more people from all social echelons are turning to religion today (Akbar and Hastings 1994; Al-Azmeh 1993; Stark 1999) and this move is also reflected in their consumer behavioural patterns.

Finally, it remains to be considered how the success of Sunsilk "Segar dan Bersih" can be explained. The product and marketing campaign surrounding it are reminiscent of a quotation from Norbert Bolz (2002: 92): "The common offer of post-modern markets is: to again cast a spell on the world where the spell had been broken" („Das gemeinsame Angebot der postmodernen Märkte lautet: Wiederverzauberung der entzauberten Welt", translation by author). Bolz explains in this way the trend towards some companies re-inventing the magic (lost as a side-effect of the modern world deprived of its mystique) by means of products endowed with religious impact. This is enabled on the one hand through the development of products and brands which achieve the cult status of "holy" goods by being accompanied by extraordinary marketing campaigns. On the other hand it is made possible through products and their application being endowed with religious impact. Looking back at the strategically chosen dates of the market launch and the marketing campaigns with their huge billboard advertisements which converted the notion of popular and obvious via the religious revelation of Inneke Koesherawati's conversion to an Islam conforming lifestyle (she is depicted enveloped in a silky green veil and looking expectantly), Unilever appears not only to have intended to satisfy consumers but rather to tempt and enchant them, as if the consumer were shouting: "Transform me the way Inneke Koesherawati has transformed herself!" Unilever is, of course, not directly responsible for Inneke Koesherawati's life metamorphosis, but this is indirectly implied as if to say: "I'm a good Muslim woman and I use Sunsilk. Sunsilk helps me to be a good Muslim". The religiously charged brand has, in this case, become a means of transforming consumers. Whether you buy Sunsilk or Nivea is no longer a question of taste but rather a question of world philosophy. In this way Indonesian consumers resemble Bolz's (2002: 108) "post-material consumers" who do not merely purchase goods. Instead they purchase stories, feelings, dreams and values. The more modern, i.e. the more differentiated a society is, the more labour is divided, the more confused society becomes, the greater the yearning for unity and entirety. Owing to this, the product reached the market at exactly the right time, because, since the beginning of 2004 the average standard of living (measured in terms of per capita income) has returned to pre-crisis levels and the rapid upturn and its accompanying social estrangement is apparent everywhere, for example, in migration and urbanization.

It seems as if despite the capitalist economic system and its social influence affecting all of Indonesia's regions, a homogenous, secular society is not developing either, and people are not becoming more dispassionate i.e. they are not turning away from religion. The opposite appears to be true. Sunsilk's "Segar dan Bersih" success story makes it patently obvious that consumers prefer everyday goods which are endowed with spiritual value. Consumers have the feeling that the manufacturer understands their situation, respects it and converts their special needs into tailor-made products and advertising campaigns, which other producers do not. Furthermore, it is also possible that some Sunsilk consumers consider it as a reward: "I am religious and thus I can treat myself to this product." It could also be possible that people have an inner malaise concerning their own prosperity, and by purchasing religiously endowed or religiously produced goods, they hope to compensate for or to lessen this malaise. The product thus becomes a way of embellishing one's own existence, i.e. one's own world is made beautiful, and with it God's world (in the sense of "Ibadah" [van Leeuwen (1997: 340) on the meaning of "Ibadah": "Ibadah is - praising Allah by beautifying your surrounding or yourself – not wearing the same gold and diamond rings everyday, for example."]), too. By using everyday objects deemed to be religious, one's own piety is increased. In Indonesia there is a real sense of belief that what people are doing embellishes God's world. It cannot be interpreted as the production of a pretext or justification. The Sunsilk brand becomes a totemic emblem. It highlights the distinctions between, and sense of belonging to a community at the same time. A totem sets itself apart from mundane objects by having the property to be a fascinating image which binds feelings to it. The yearning for security sought after by the consumer can be found (at least in part) in the tempting world of religiously imbued wares and goods – a yearning which previously was addressed to religion. In the consumer's mind, he/she has purchased an Islamic product and by doing so, has demonstrated his/her independence from western goods. This, however, is completely fallacious, since Unilever is, in fact, a western company. Unilever even goes so far as to suggest that by purchasing from them, the consumer can actually conspire against western companies. This paradox is the same as the one between global markets and local content – one of the many paradoxes of the "global" or rather, "glocal" age. The brand bears the signature of global and advertising bears the signature of local, which together form a *modus coexistendi*, which is understood by the consumer as glocal in his realm of experiences.

The age in which products are available worldwide leads to the concept of universally similar behaviour and to the assimilation of needs on a global level. Obviously, here desire is the mother of thought. Indonesia and other Southeast Asian countries are not experiencing any radical westernization process, but rather a process of modernization, which does not lead to monotypic ramifications in the affected countries. Schütte (2000: 3) summarizes it thus: "Cultures will respond differently to the process of modernization and will remain unique". Modernization may under no circumstances be equated with westernization solely because social transformations in western countries set in first as a result of industrialization, and were driven on as a result. Westernization, on the other hand, means that non-western countries develop the way in which western countries do. Twenty years of modernization, however, can in no way obliterate several thousand years of cultural development. One can therefore conclude that the world is moving towards a more industrialized one, but not necessarily a more western world. The significance of cultural aspects, especially religion, in a global age, erroneously interpreted as disenchantment, has been analyzed and documented by this case-study in depth. The following chapter forms the conclusion of this thesis and closes the cycle of discussion.

E AN ASSESSMENT: CONCLUDING REVIEW AND FUTURE PROSPECTS

> *"Examples of global brands and mass-cultural icons have indeed become clichés – Coke, McDonalds, Calvin Klein, Microsoft, Levi's, Dallas, IBM, Michael Jackson, Nike, CNN, Marlboro, Schwarzenegger – some even becoming synonymous for western cultural hegemony itself [...] But what does this distribution of uniform cultural goods actually signify, other than the power of some capitalist firms ... to command wide markets around the world?" (Tomlinson 1999: 83)*

E.1 SUMMARY OF THE FINDINGS

Finally this concluding chapter will serve to summarize the results from the individual sections of the thesis, to compare and to evaluate them. The starting point of this thesis was whether or not the question if a global consumer actually exists could be affirmed, as so often postulated. In order to be able to answer this question, an investigation was carried out based on the example of Indonesian consumers. This investigation was based on the hypothesis that consumer behaviour was dependent on cultural behaviour, and this was tested by implementing an investigative analytical diagram specially designed for this thesis (integrative analytical diagram for intercultural marketing). This analytical diagram was based on the structuralist definition of culture (elaborated on in Part C). This diagram was applied to Indonesia and verified the assumption that, firstly, consumer behaviour is dependent on culture, and secondly, that cultural differences, for example between Germany and Indonesia, lead to partly differing consumer behaviour, an aspect which, however, contradicts the theory of the global consumer. The results of the analytical diagram portray a general picture of Indonesian consumer behaviour, focus the view of the illusory global consumer, and help definitively to dispel this myth. The hypothetical notional construct of the global consumer gives way to the reality of the glocal consumer, in which culture realistically forms the context of the purchasing-decision. Bermingham confirms in this perspective the assertion of this work (1995: 13):

> *"It is impossible to understand consumption without also examining our conceptions of culture, the workings of culture, and ultimately subjectivity. In fact it has been the failure to do this which has resulted in the purely economist accounts of consumption which see it in a secondary role after production or which focus on commodities rather than consumers." (Bermingham 1995: 13)*

Parallel to this diagnosis, the second set of questions which targeted the exploration of Indonesian consumers' characteristics and how the cultural environment influences their behaviour and decisions, was answered following this work. The in-depth description of the Indonesian consumer and the cultural traditions which colour his or her behavioural patterns, were juxtaposed to and explained via examples of the 4P's' adaptation (principally promotion). Thus it was possible to form a concrete picture of the Indonesian consumer on a country (macro) level. Undoubtedly due to the possibility of a multi-level-analysis inherent in the investigative analytical diagram, in future it is necessary to apply the analytical diagram to other sub-levels, thereby enabling statements to be made concerning certain social groups within the plural Indonesian society, enabling cultural behaviour to be compared and finally, to tailor the 4P's accordingly. This advantage offered by the analytical diagram needs to be conveyed especially to all those who consider investigation on a country level as too generalized and thus disregard the original approach of this work which is to put focus on the importance of culture for consumer behaviour and to urge the business world at the beginning of the 21st century to incorporate theories of cultural globalization into their strategic planning. Tomlinson (1999) argues in the context of the effects of globalization using the term "complex connectivity", i.e. a complex interconnectedness and connectivity on a global level which can neither be described one-sidedly via economic conditions, nor via the classic image of a cultural westernization. Extended to consumption this means that the reality of a worldwide globalization of demand appears to be different from what the visualization of a steady extension of the "American way of life" throughout the world which would contribute to the global happiness of humankind, suggests.

This thesis expresses that globalization does not lead to a uniform world culture, and rejects the "world-as-a-single-place" hypothesis. Globalization (also cultural globalization) is always a dialectical process. The relationship with space and locality plays an important role: it leads to a dialectical process of de- and re-territorialization. This does not mean that people stop being entities in a geographical location, and that, for example, they only continue to enjoy an existence in the virtual space, and not that everyone will become a globetrotter or cosmopolite. In fact it means that even the most familiar places (locales) are through media or simply through economic processes included in the complex connectivity of the world, however, without acknowledging the postulate of the world's cultural homogenization. Globalization processes lead to focus on the local, as exemplified in the introduction to the case-study (social mixture). In this connection, advertising, product and brand worlds cannot merely be seen as the exit form of "global life spaces", but rather as the entrance into "local living spaces". Besides the presentation of local significance, the thesis has dispelled the myth of the existence of a globally, homogenously and uniformly acting consumer. Consumers buy meanings, not just products and meaning is inter-subjectively shared in the cultural community and with it they are and continue to be locally anchored.

After the two years of research my conclusion is that globally standardized advertising (which targets the supposedly existing global consumer segment) appears no longer to be a powerful means to win customers over to products and brands. Advertising is not and cannot be an instrument of homogenization, since advertising is always consumed and interpreted locally, and local culture plays a significant role in this process. The over-simplified worldview prevalent in numerous companies of a one-dimensional modernization is thus a fallacy since there are huge differences in requests, attitudes and preferences (multiplied exponentially by economic and cultural variables) on the part of existing consumers in Southeast Asia. The simplistic image of purely economic globalization does not reflect the complex connection between culture and consumption. Tomlinson (1999: 84) explains:

> *"Movement between cultural/geographical areas always involves interpretation, translation, mutation, adaptation and indigenization as the receiving culture brings its won cultural resources to bear ..." (Tomlinson 1999: 84)*

As an example of the different interpretation of products and brands, David Howes (1996: 9) can be quoted. He shows how consumers interpret global brands locally thanks to Coca-Cola and the local myths attached to it. Coca-Cola is seen in Russia as a means of smoothing out wrinkles, in the Caribbean, it is synonymous with Cuba Libre. "It seems that Coke is perceived as a native product in many different places – that is, you will often find people who believe the drink originated in their country not in the United States", affirms Howes (1996: 6). The mere existence of mass products is far from able to be traced back to the existence of a "uniform capitalistic monoculture" (Tomlinson 1999: 85). The long under-estimated impact of cultural influences on consumer goods' interpretation has been revised since the mid 1970s (Douglas and Isherwood 1978; Sahlins 1976; Belk 1982; Bronner 1983; Felson 1976; Furby 1978; Graumann 1974, 1975; Hirschman 1980; Holman 1980; Leiss 1983; McCracken 1985; Prown 1982) but has not expanded into marketing literature. The theory that consumer goods have a significance that goes beyond their utilitarian character and commercial value is, however, valid today in the social sciences. This significance rests largely in the ability of products to carry and communicate cultural meaning (McCracken 1986: 71-84).

The fact that products can convey cultural significance which is able to be interpreted differently according to cultural background, is largely underestimated in all but a few globally operating companies, and does not lead to reconsideration of globally standardized strategies. Although the trend of successively rejecting purely (standardized) global strategies in favour of strategies which take local peculiarities into consideration is perceivable, companies still approach local consumers in a multitude of ways. Whereas Procter & Gamble has in the past few years obviously opted for stringent centralization of resources, Nestlé is till positioned rather locally. Unilever, the company which serves as the example in this study gives its overseas subsidiaries quite a lot of opportunities to adapt themselves to local constellations and consumer requests.

The Unilever study and the success of its ethnic-specific product described show that intercultural marketing can be executed optimistically and with none of the trepidation commonly associated with intercultural marketing. Intercultural marketing and the even more specific ethno-marketing with its selection of target groups, apparently continue to be a foreign concept for many firms. The Sunsilk example demonstrates the opportunities which may be offered by an intercultural marketing strategy. Offering very specialized products for certain target groups pays off, since niche markets are very lucrative and attractive. However, profound knowledge of the target market is necessary to understand the complex emotional and cultural peculiarities of a country. Many companies have difficulties implementing ethnic-specific marketing in Indonesia, since the topic might be controversial and could be considered pejorative. However, it is believed that the consumer should be addressed not as a socio-political being but rather as a potential customer in his whole range of every-day experiences. The selective revitalization of tradition against the background of rapidly and dynamically changing societies, as seen in the clothing changes among Muslim women in Indonesia, should not be considered with trepidation as a problem, but rather as symptomatic of social phenomena or trends of development, like other trends marketing ties in with. And this connecting factor must be culture. In the language of Clifford Geertz, culture is the means by which people "communicate, perpetuate, and develop their knowledge about attitudes towards life. Culture is the fabric of meaning in terms of which human beings interpret their experience and guide their action" (Geertz 1973). If marketing connects with the complex nature of culture and not merely with geographic or economic factors, it can function in a much more targeted manner as the Sunsilk example shows.

E.1.1 Recommended course of action

Culture can be considered as a vitally important orientation support for intercultural marketing. The orientations have to be analyzed and the practices which document a change in social environment have to be recognized. Practices are always a process and a result and are thus limited from a time perspective, whereas orientations can be considered to be stable. The analysis of cultural globalization processes and their accompanying emphasis on the "local" result in a paradoxical situation in which culture as an explanatory factor becomes increasingly important, although the emergence of global brands has apparently led to converging consumer preferences. The reality is however that these preferences constantly diverge with the ever-increasing choice of consumer goods and with the lifestyles that can be created or associated as a result. Intercultural strategies should be increasingly implemented, as recommended in this thesis. These intercultural strategies which can also be described as "Act Global, Think Local", are opposed to the 1990's favoured slogan "Think Global, Act Local" paradigms. "Act Global, Think Local" on the contrary means reaping all the benefits of globalization in production, sourcing and distribution and the connected benefits of economies of scale in production and organization but with the exception that marketing and branding which works with images are difficult to make standardized and therefore have to be localized. It is all the more important to understand this since an inverted colonization can be identified, i.e. the "Latinization" of Los Angeles, the emergence of a globally oriented high-tech industry in India, and the springing up of very successfully operating indigenous firms in Southeast Asia.

In times of international marketing, the knowledge of a country is to be as complete as possible for market success (Griffin and Pustay 2002: 82). Otherwise major inroads into a foreign market may be tedious and unmanageable. Translating marketing's 4Ps into the local setting is an art which requires "artists" (experts) who understand the significance of cultural and ethnic heritage and entrench respect for differences in ethnicity and religion. These experts are trained in area studies which offer the prospect of experiencing cultures and therefore comprehend them superiorly.

The observations made in this thesis are sufficient to make it clear that world markets have become far too complex and refined to be understood as purely economic (in the sense of business studies and economics). If people simply bought what they needed then the capitalist economy would have collapsed long ago. It can also be put this way: consumers' needs have become a rare resource. This is why marketing and advertising have to trigger a series of wants by creating artificial needs. In other words, marketing interprets consumers' wishes and these wishes are nothing more than an interpretation. Since consumer wishes are determined locally, they must be deciphered, which contradicts standardization. Standardized global marketing strategies will optimistically be increasingly substituted by local approaches adapting to and respectful of local cultural contexts.

For many international observers Indonesia's diversified and rapidly changing marketplace with consumers who are experiencing the newfound power of increased spending capabilities, coupled with an unprecedented array of choices, it is easy to believe that Indonesian consumers are behaving more like their "Western" counterparts. However, the trend towards Islamization (which is also apparent in advertising and product worlds) demonstrates that the concept of Indonesian consumers adjusting to Western consumer patterns does not reflect reality. In the past few years, Indonesia's retail environment has changed dramatically (DT, interview December 2004). Product development and marketing have become more sophisticated. Layered and diverse product assortments are reaching increasing numbers of customers. International brands have made dramatic gains in exposure and acceptance. Not to consider the penetration of the Indonesian market would be grossly negligent. The opportunities, risks and imponderability associated with the Indonesian consumer market are culturally bound. Marketing appears to be problematic for many companies since they lack the necessary data and insights or the validity of both. Besides, Indonesia is in no way a brand technological no-man's-land since domestic brands such as Indofood or Sampoerna are widely accepted by consumers and successfully defend themselves against newcomers. As a result, gaining market share in Indonesia's fast paced retail environment will become more difficult and expensive. Indonesia is not demanding adventure, just strategically based intercultural marketing wherever possible. The to-date unknown cultural variables were deciphered in this thesis.

This thesis' contribution is to reveal the cultural elements influencing Indonesian consumer behaviour, and to make a plea for intercultural marketing. The recommended course of action is in favour of differentiated standardization. Owing to rapid growth in markets outside the Triad countries, i.e. in developing and emerging markets, in future only those companies which can generate revenues in these markets will play a worldwide role. However, substantial severe shortcomings in knowledge of foreign markets still exist. Additionally, there are only very few consumer approaches spatially oriented and tailored to local needs. This is because entrepreneurial pseudo-visionaries see the consumer of the future living in a global village, as a monolithic entity, and thus have global advertising campaigns developed by their marketing teams. Nuances are not always sufficient. It is precisely globalization which requires a localized marketing approach, and thus international marketing (to be understood as intercultural marketing in this thesis) continues to pose a challenge. Learning about cultures and their interaction must take priority. The potential client, his environment, his culture and the existing social groups in the country have to be understood and evaluated. It is becoming apparent that crude and rudimentary background information is no longer sufficient in a globalized world. Many Westerners still associate Indonesia with inexpensive manpower in labour-intensive industries. In contrast, the cities of Indonesia have become showcases of a progressive and aspiring country.

It is imperative to scrutinize internationalization strategies. Here, one option is the “conquest” of Southeast Asia, particularly Indonesia. Despite all global and regional uncertainties the risk of neglecting the Southeast Asian emerging markets outweighs the one connected with an operational commitment and is rapidly increasing. In this conquest, cultural aspects of overseas business still have to be considered. Those who want to be successful have to be prepared. ”The need to understand Southeast Asia … has never been greater“, write French and Crabbe (1998: 1) and these words nicely sum up the essence of this work.

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STATUTORY DECLARATION

<u>EIDESSTATTLICHE VERSICHERUNG</u>

Hiermit erkläre ich, Ragnar Karl Willer, dass die vorliegende Dissertation „Dispelling the myth of a global consumer. Indonesian consumer behaviour researched by means of an analytical diagram for intercultural marketing. With a case-study of Sunsilk shampoo for the veiled woman“ [Die Dechiffrierung des Mythos eines globalen Konsumenten. Indonesisches Konsumverhalten erforscht mit Hilfe eines analytischen Diagramms des interkulturellen Marketings. Mit einer Fallstudie des Sunsilk Shampoos für die verschleierte Muslimin] selbstständig und ohne Benutzung anderer als der angegebenen Quellen und Hilfsmittel angefertigt wurde. Alle Ausführungen, die wörtlich oder sinngemäß übernommen wurden, sind also solche gekennzeichnet. Diese Arbeit wurde in gleicher oder ähnlicher Form noch keiner anderen Prüfungsbehörde vorgelegt.

Berlin, den 18. Mai 2006

Ragnar Karl Willer